

THE POLITICS OF DEVELOPMENT: NEO-MARXIST
APPROACHES TO NEW ZEALAND HISTORY.

A thesis
submitted in partial fulfilment
of the requirements for the Degree
of
Master of Arts in History
in the
University of Canterbury
by
Charles Reid

University of Canterbury
1990

CONTENTS.

Abstract.	1
Introduction.	2
 Chapter one: Wallerstein and the Modern World-System.	7
(1.1) Marxism, World-Systems Analysis and Development.	
(1.2) Surplus Transfer and Development.	
(1.3) Exploitation and the Modern World-System.	
(1.4) The Problem of the Semi-Periphery.	
 Chapter two: Bedggood and the Semi-Colonial Development of New Zealand.	42
(2.1) New Zealand and the Modern World-System.	
(2.2) The Semi-Colonial Development of New Zealand.	
(2.3) British Capitalism and the Annexation of New Zealand.	
 Chapter three: Steven and Settler Capitalism in New Zealand.	80
(3.1) The Case of Settler Capitalism.	
(3.2) The Annexation of New Zealand.	
(3.3) A Glorious Country for a Labouring Man.	
 Chapter four: Armstrong and Dependent Development in New Zealand.	116
(4.1) Dominion Capitalism.	
(4.2) The Validity of Dominion Capitalism.	
(4.3) The Britain of the South Pacific.	
 Conclusion.	152
Bibliography.	156

Abstract.

This thesis will critically evaluate the neo-Marxist interpretations of New Zealand history propounded by David Bedggood, Rob Steven and Warwick Armstrong. This critique finds that the theoretical models adopted by these neo-Marxists have gaps and contradictions and do not conform to the historical record.

We will find that these interpretations misconstrue the nature and causes of certain aspects of New Zealand history. Firstly, the annexation of New Zealand in 1840 was not explicable in terms of Britain's need to provide itself with an outlet for surplus population. Secondly, New Zealand's affluence was not the result of its ability to exploit its trading partners via a global system of unequal exchange. Thirdly, New Zealand's dependence on a narrow range of export staples was not the result of a domestic ruling class perusing policies which were specifically designed to satisfy the productive and consumptive needs of British capitalism.

Overall, the development of New Zealand provides the neo-Marxist theory of "world-systems analysis" with one of its most crucial objections.

Introduction.

The global expansion of the capitalist system has continued to gather momentum since it emerged in Britain and northwestern Europe. This expansion has had a profound impact on the development of those nations which have subsequently adopted the capitalist mode of production. In his analysis of the imperatives of this mode of production, Marx concluded that the global expansion of capitalism would eventually result in all nations developing in accordance with his universal laws of capital accumulation. Unless the socialist revolution came first, newly capitalist nations would attain levels of development already achieved by more advanced capitalist nations like Britain. That the development of all nations would replicate the process already underway in Britain formed the basis of the orthodox Marxist view that imperialism, the process which describes the global expansion of capitalism, was both progressive and desirable.

In a revision of classical Marxist views of the operation of capitalism on a global scale, "neo-Marxists" led by the Wallerstein school have concluded that the development which imperialism brings to much of the world is regressive and undesirable. According to this perspective, capitalism's penetration of the third world has brought about patterns of development which prevent it from ever replicating first world patterns of development. A confirmation of the retrograde impact of imperialism is

often sought in the increasing disparities of wealth which exist between the first and third world. Marx's apparent inability to account for the development of the first world and the non-development of the third has stimulated this neo-Marxist revision of the operation of capitalism on a global scale. In a rejection of orthodox Marxism, the proponents of neo-Marxist model of development argue that the more advanced capitalist countries enjoy a pattern of development which is fundamentally different from that experienced by recently capitalist nations. They seek an explanation of these divergent patterns of development in the operation of a capitalist world economy.

Although Marxist economics has been declared "intellectually dead" by some,¹ the provocative conclusions of Neo-Marxist theories of development have stimulated a renewed debate regarding the impact of imperialism. Both Marxists and neo-Marxists working within the classical tradition have applied themselves to a re-evaluation of the causes of development and non-development. A reflection of this current vogue is found in the recent attempt of three social scientists to account for the development of New Zealand. It is the intention of this thesis to examine the neo-Marxist approaches to New Zealand history proposed by David Bedggood, Rob Steven and Warwick Armstrong. An examination of this nature raises three important issues.

The first concerns the ability of these neo-Marxist

¹ J. Elster, An Introduction to Karl Marx, Cambridge University Press, 1986, p.60.

approaches to further our understanding of New Zealand's history. A cursory glance at New Zealand's colonial past reveals that New Zealand was shaped in important ways by outside forces. Dependence on British markets, capital, immigration and technology has been a central feature of New Zealand's development. Even the name this country bears implies that New Zealand was "created" rather than "discovered" by European expansion into the South Pacific. In many ways, New Zealand could be regarded as an outgrowth of nineteenth century European imperialism, a Britain of the South Pacific. A full understanding of New Zealand's colonial past must therefore come to grips with the impact which dependence on British imperialism has had on the previous 150 years of New Zealand's development. This thesis will evaluate the neo-Marxist approaches which claim to examine New Zealand history from this important perspective.

The second important issue concerns a perceived shortcoming which exists in New Zealand historiography. This shortcoming is identified by W.H. Oliver as the reluctance of New Zealand historians to adequately confront the models propounded by other social scientists:

Sinclair is like other New Zealand historians for whom fidelity to context and respect for evidence count for more than visionary moments and theoretical frameworks. Confronted by visionaries and theoreticians (commonly social scientists, novelists and journalists) historians have typically responded by neither evaluating the theory nor advancing a counter theory, but by showing where the theory does not 'fit the facts'. Sinclair's review of David Bedggood's Rich and

Poor in New Zealand is a good example.²

Historians must show where theory does not 'fit the facts' and I make no apology for my empirical critique. Although I do not always advance an alternative theory, I will evaluate the logical validity of the theoretical formulations which are so fundamental to these Neo-Marxist approaches to New Zealand history. This thesis is therefore intended as a contribution to the scant dialogue which exists between the empiricism of historian's and the model building of social scientists.

Finally, this discussion of neo-Marxist approaches to New Zealand history is intended as a contribution to the wider debate surrounding Wallerstein's neo-Marxist model of development. This hopes to place New Zealand history in the context of larger debates whose implications extend far beyond these islands. This desire to examine New Zealand history in the context of wider issues and movements is echoed by Graeme Wynn who berates his fellow historians for their reluctance to

connect the story of economic and social development in early New Zealand to a broader discourse about the nature of new world economies and societies.³

In his comparative analysis of five settler societies Donald

² W.H. Oliver, Essays in Honour of Keith Sinclair: New Zealand Journal of History, vol.21., No.2., 1987, p.11.

³ G. Wynn, "Reflections on the Writing of New Zealand History", New Zealand Journal of History, 1984, p.109.

Denoon⁴ identifies similarities which may show how these individual societies are part of a broader pattern of development. The use of theoretical models by historians attempting such comparisons is briefly considered by Denoon. Unfortunately, his rejection of neo-Marxist models of development is conceptually rather thin. This thesis will look in much greater detail at recent accounts of New Zealand history which draw on neo-Marxist models. In doing so, it will say something about New Zealand history and a good deal more about the models.

In order to deal with these models this thesis is organized in the following manner: The first chapter is a critique of the neo-Marxist theory of development espoused by Immanuel Wallerstein, whose work has heavily influenced recent Marxian discussion of countries like New Zealand. The remainder of the thesis is a theoretical and empirical examination of writings on New Zealand by Bedggood, Steven and Armstrong within the context of Wallerstein's theory and the influence of classical Marxism.

⁴ D. Denoon, Settler Capitalism: The Dynamics of Dependent Development in the Southern Hemisphere, Oxford University Press, 1983.

Chapter one: WALLERSTEIN AND THE MODERN WORLD SYSTEM.

(1.1) Marxism, World-Systems Analysis and Development.

In the Communist Manifesto Marx and Engels envisaged a process where only the socialist revolution would prevent capitalism from inheriting the earth. Once capitalism had emerged in North Western Europe it would expand geographically and replace those pre-capitalist modes of production it came into contact with. With the undermining of these pre-capitalist societies, capitalism would then set in motion a process of development that would duplicate the European experience:

The bourgeoisie...draws all, even the most barbarian, nations into civilization. The cheap prices of its commodities are the heavy artillery with which it batters down all Chinese walls,...It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilization into their midst, i.e., to become bourgeois themselves. In a word, it creates a world after its own image.¹

In Marx's theory of history, capitalism was one of a sequence of stages which marked the advance of human society from its hunter-gathering origins to the communist future. The transition from one stage to the next is characterized by the development of the productive forces as measured by the productivity of labour. Although capitalism might drag

¹ K. Marx and F. Engels, Manifesto of the Communist Party, Karl Marx Frederick Engels; Collected Works, vol.6., London, 1976, p.488.

pre-capitalist societies "through blood and dirt"² it was an essentially progressive force. Only capitalism could provide the material abundance, through its development of the productive forces, which would serve as the basis of the new socialist utopia.

In Marx's view, the forward march of history was ultimately irresistible, but it was periodically interrupted when the transition from one stage to another was delayed. Colonial India provided an example where the resistance posed by a pre-capitalist mode of production was sufficient to temporarily block its inevitable dissolution by capitalism:

The obstacles presented by the internal solidity and organization of pre-capitalistic national modes of production to the corrosive influence of commerce are strikingly illustrated in the intercourse of the English with India and China...English commerce exerted a revolutionary influence on these communities and tore them apart...And even so, this work of dissolution proceeds very gradually.³

Lenin shared Marx's conviction that capitalism was a progressive force. Both believed capitalism's dissolution of pre-capitalist modes of production would act to advance societies such as India towards modernity. This expansion into pre-capitalist societies was identified by Lenin as the "monopoly phase" in the overall development of capitalism. The imperatives of this monopoly stage drove the imperialist thrust which saw capitalism taking root in lands outside its

² K. Marx, "The Future Results of British Rule in India", p.137.

³ K. Marx, Capital, vol.3., pp.333-4.

European birthplace. Once implanted in these new lands capitalism would develop and flourish, albeit haltingly, just as it had in Europe. The export of capital from the imperial centre to the colonial periphery was simply one of the mechanisms used to further this imperialist expansion. This particular mechanism served two functions. Firstly, the export of capital offset the supposed declining profitability of capitalist enterprises in Europe. Secondly, it provided the capital and skills necessary for the establishment and development of capitalism in newly capitalist colonies such as India. This tendency of capital to seek out and establish itself in those areas where the greatest profit was to be found served to slow the development of the capital exporting nations while enhancing development in the recipient nations:

The export of capital affects and greatly accelerates the development of capitalism in those countries to which it is exported, While therefore, the export of capital may tend to a certain extent to arrest development in the capital exporting countries, it can only do so by expanding and deepening the further development of capitalism throughout the world.⁴

Lenin's theory of imperialism therefore envisaged a time when the differences between the levels of development attained in the imperial centre and their colonial subjects would disappear.

For revisionists like Wallerstein, factors such as the export of capital have the opposite effect to that described

⁴ V.I. Lenin, Selected Works in Three Volumes, vol.1., pp.725-26. Reproduced in A. Emmanuel, "White Settler Colonialism and the Myth of Investment Imperialism", New Left Review, 1972, p.22.

by Lenin. Rather than facilitating the development of capitalism in underdeveloped countries, "world-systems analysis" argues that the export of capital serves to benefit the lender and retard the development of the recipient. Not only have trade and capital investment failed to bring about economic development in the third world but they have also obstructed such development from taking place. Essentially, Wallerstein questions the traditional Marxian notion that capitalist economic development inevitably brings material progress to all nations which adopt this mode of production. For Wallerstein, the development of the productive forces is experienced by only a few of the capitalist nations. Wallerstein's sees the prosperity of some nations being inextricably tied to the poverty of others with "the gain in one region being the counterpart to the loss in another".⁵ In other words, the process of capitalist development is a two edged sword where the rich capitalist nations get richer while the poor capitalist nations get poorer. Consequently, the work of Wallerstein has been labelled 'neo-Marxist' because of its fundamental opposition to orthodox Marxist theories of imperialism.

Wallerstein wishes to challenge not only orthodox Marxism but what he sees as the "dominant organizing myth of the historiography of the nineteenth and twentieth

⁵ I. Wallerstein, The Modern World System: The Origins of Capitalist Agriculture and the European World Economy in the Sixteenth Century, vol.1., Academic Press, 1974, p.356.

centuries".⁶ We have already seen how Marxism treats history as the sometimes brutal but nevertheless inexorable march of progress characterised by the development of the productive forces. Wallerstein sees the "Marxist embrace of an evolutionary model of progress" as an "enormous trap".⁷ In a total rejection of the Marxist-Leninist model he concludes:

It is simply not true that capitalism as an historical system has represented progress over the various historical systems it has destroyed.⁸

For Wallerstein this progressive model of history advanced by Marxists is only telling half the story: "it explains the historical progress; but fails utterly to explain the historical regression."⁹ While Marxist historiography explains why there has been so much urbanization, proletarianization and commodification in some parts of the world, it fails to explain why in other areas there has been so little. As an antidote to this perceived error Wallerstein offers an "alterative organizing myth",¹⁰ which attempts to show how capitalism simultaneously develops and retards and is necessarily progressive and regressive.

In order to expose the darker side of capitalist economic development, Wallerstein revives the largely

⁶ I. Wallerstein, "An Agenda for World-Systems Analysis", W.R. Thompson, Contending Approaches to World-Systems Analysis, Sage Publications, 1983, p.301.

⁷ I. Wallerstein, Historical Capitalism, Verso Editions, 1983, p.98.

⁸ *ibid.*

⁹ I. Wallerstein, "An Agenda for World-Systems Analysis", p.302.

¹⁰ *ibid.*

discredited notion advanced by some Marxists which postulates the **absolute** immiseration of the world's workforce:

I wish to defend the one Marxist proposition which even orthodox Marxists tend to bury in shame, the thesis of the absolute (not relative) immiseration of the proletariat.¹¹

Here Wallerstein argues that the standard of living of the world's proletariat will decline so that the sons and daughters of the world's workforce will be worse off than their parents. This process of immiseration will witness the majority of mankind "eat less well", have a "less balanced diet", "work unquestionably harder" while "the rate of exploitation has escalated very sharply".¹²

To those living in the western world, the claim that the coal miners and chimney sweeps of the nineteenth century were 'better off' than a car assembly worker of today, has not been validated. Wallerstein's theory of absolute immiseration, however, instructs us to look at what is happening to the world as a whole. It is based upon the alleged tendency of the capitalist world economy to systematically concentrate the world's wealth in the hands of a few, mostly in the developed countries, while increasing the poverty amongst the majority of the world's population:

...there has been a growing 'gap' in the consumption of the surplus between the upper ten to fifteen per cent of the population in the

¹¹ I. Wallerstein, Historical Capitalism, pp.100-01.

¹² *ibid.*

capitalist world-economy and the rest.¹³

In other words, a small proportion of the world's population, comprising both proletarians and bourgeoisie located in the west, has prospered while the majority of mankind has suffered. Consequently, in different parts of the world, there are vast differences in the material reward received by workers for their labour. The poorest workers are those who live in areas where the proletarianization of the workforce has only been partial. The remainder of this workforce remain outside the fully proletarianized workforce and therefore forms a 'reserve army' of part-time and unemployed labour which act to keep wages to a minimum. The existence of this semi-proletarian workforce dooms many labourers in the third world to unemployment or underemployment. These labourers are left to supplement their part-time earnings, if they are lucky enough to have employment, by other means. Perhaps the best example of a part-time proletarian is the subsistence peasant farmer who works for wages in the off-season. As these wages only form part of his income they need not represent the total cost of his meagre existence. Therefore, the poverty of the majority of the world's workforce

can be explained because many workers in many parts of the world are part-time proletarians and can be given wages below the physiological minimum wage.¹⁴

¹³ *ibid.*, p.104.

¹⁴ I. Wallerstein, "World-System Analysis: Theoretical and Interpretive Issues", B.H. Kaplan, Social Change in the Capitalist World Economy, Sage Publications, 1978, p.227.

The maintenance of a semi-proletarian workforce enables capitalists to pay their workers less than if they were fully proletarianized as the employers do not have to bear the total cost of the reproduction of labour. In this way, the existence of non-proletarian labour

reduces the global cost of labour by allowing the traditional sectors to bear the lifetime costs of childhood and old-age maintenance of large sectors of cash-crop or urban workers.¹⁵

The crucial point is that capitalist economic development does not bring proletarianization to all the world's labour force. Unlike Marx and Lenin, Wallerstein argues that this is due not to the resistance of pre-capitalist modes of production but to the fact that the existence of non-proletarian labour is advantageous to capitalism:

The existence of non-proletarianized labour...is quite essential for the optimization of opportunities for overall profit in a capitalist world-market.¹⁶

The continued existence of a non-proletarian labour is precisely what enables workers in the developed countries to receive greater payment for their labour than their counterparts in the third world. As a consequence of this international disparity in the cost of labour, any trade which occurs between high wage and low wage areas inevitably results in "unequal exchange"¹⁷. It is through this mechanism of "unequal exchange" that the capitalist world economy

¹⁵ *ibid.*

¹⁶ I. Wallerstein, "From Feudalism to Capitalism: Transition or Transitions?", Social Forces, Dec 1976, p.279.

¹⁷ For a more detailed explanation of "unequal exchange" see section (1.3) below.

manages to drain the surplus created in the poor countries and concentrate that wealth in the hands of a few rich nations.

It is interesting to note that Wallerstein's thesis of absolute immiseration comes with no empirical verification. It is merely asserted. As we shall see, the mechanism of "unequal exchange" used to explain the increasing maldistribution of wealth within the capitalist world-system is simply inadequate. Unfortunately, the lack of defensible causal mechanisms¹⁸ allows Wallerstein to paint only a lurid picture of underdeveloped capitalism without offering any useful analysis of its cause. Wallerstein believes that the failure of Marxism and other 'progressive' models to account for the inability of capitalism to bring development to the third world justifies his new "metahistory":

The justification therefore for our metahistory comes neither from the data it generates nor from the null hypotheses it supports nor from the analysis it provokes. Its justification derives from its ability to respond comprehensively to the existing continuing real social puzzles that people encounter and of which they have become conscious. It is, in fact, precisely the reality of the ever-increasing historical disparities of development that has called into question the old organizing myths.¹⁹

The crux of Wallerstein's opposition to orthodox Marxism is located in the disturbing fact that among countries which employ wage labour there is a considerable variation in the

¹⁸ These inadequate causal mechanisms will be discussed in section (1.3) below.

¹⁹ I. Wallerstein, "Economic Theories and Historical Disparities of Development", Economic Theory and History, vol.1., 1982, p.24.

level of development achieved by their respective productive forces. Indeed, some of the least advanced capitalist countries exhibit archaic productive processes that are closer to those utilized by feudal Europe. This apparent anomaly in the classical Marxist formulation provides much of the basis for revisionists like Wallerstein, who doubt the ability of Marxism to understand the development of capitalism in the third world. The question remains however, can Wallerstein's "alternative organizing myth" serve our understanding any better?

As a preliminary examination of Wallerstein's account, we will begin by analyzing the nature of the "ever increasing historical disparities of development". When expressed in terms of per-capita gross national product, the gap which exists between rich and poor nations is indeed growing larger. To this must be added a crucial qualification: the rate at which the gap is increasingly slowing down. Between 1750 and 1913, the developed world's per capita GNP rose by 260% while the third world's actually declined.²⁰ Although this tendency has not been reversed the rate of its increase has markedly slowed. Between 1950 and 1980 the per capita GNP of the developed world grew by 184%. Over the same period, the third world experienced an important but much less spectacular growth rate of 87%.²¹

²⁰ P. Bairoch, "Historical Roots of Underdevelopment", W. Mommsen and J. Osterhammel, Imperialism and After: Continuities and Discontinuities, Allen and Unwin, 1986, p.203.

²¹ *ibid.*

Although Wallerstein is correct to identify this growing gap between rich and poor, the unprecedented period of growth in the post war period raises doubts as to whether such disparities of wealth will remain a permanent feature of global capitalism. The existence of a division between rich and poor nations in the long-term future is also called into question when we consider the recent expansion of the manufacturing sector in the third world. As Wallerstein associates manufacturing with wealth and the production of raw materials with poverty,²² we would expect the third world's share of global manufacturing to show a decline in line with its declining share of the world's wealth. A striking confirmation of this de-industrialization thesis saw the third world's share of global manufacturing falling from 73% of the total in 1750 to an all time low of 7% in 1913.²³ The decline is not as terminal as it seems. The third world's decline has been dramatically arrested in the post war period. Manufacturing in the third world has experienced an explosive growth rate of 800% between 1950 and 1980.²⁴ Such improvements have resulted in the third world now

²² The core states of the capitalist world economy "are zones in which are concentrated high profit, high technology, high wage, diversified production". Conversely, the peripheral areas of the capitalist world economy are characterized by "low profit, low technology, low wage, less diversified production". See: I. Wallerstein, "Semi-Peripheral Countries and the Contemporary World Crisis", Theory and History, vol.3., 1976, p.462.

²³ P. Bairoch, "Historical Roots of Underdevelopment", p.199.

²⁴ *ibid.*

producing 12% of global manufacturing.²⁵

Wallerstein's description of global capitalism in terms of "ever increasing historical disparities of development" must also be regarded with apprehension when we consider the spread of industrial and post-industrial development throughout the world. The revolutionizing of production associated with industrial development began in just one country, Britain. By the early twentieth century, industrial development was also revolutionizing production in many European countries, the United States and Japan. The spread of industrial and post-industrial development has continued right up to the present day. Countries which were considered part of the third world as recently as 1950 have presently achieved levels of development which undoubtedly places them amongst the developed world. The so-called "four dragons" of Asia: namely Taiwan, Singapore, Hong Kong and South Korea, provide excellent examples of this phenomenon.

The verdict is by no means final. The post-war period, however, seems to suggest that the existence of "ever-increasing historical disparities of development" may not remain a permanent feature of global capitalism. On the basis of the trends we have noted above, future development in the third world may vindicate the optimism of Marx rather than the pessimism of Wallerstein. As the rest of this discussion will show, Wallerstein's inability to account for the causes of development calls into further doubt his ability to credibly explain, let alone predict, changes in

²⁵ *ibid.*

the world economy.

(1.2) Surplus Transfer and Development.

This comparison of Marxist and neo-Marxist theories of capitalist economic development inevitably raises the question of whether the "capitalism" described by both is the same thing. If we examine how Marx and Wallerstein define this crucial term fundamental differences will emerge. For Marx, capitalism is a **mode of production** which is defined by two essential features. Firstly, it is a system of production for the market. Secondly, it is a system of relations of production characterized by the use of wage labour. In contrast, Wallerstein regards the presence or absence of wage labour as irrelevant. Capitalism is a **mode of exchange** whose only defining characteristic is the production of commodities for the market:

...the essential feature of a capitalist world economy...is production for sale in a market in which the object is to realize the maximum profit.²⁶

Wallerstein specifically excludes relations of production from his definition of capitalism.

Wallerstein's insistence that capitalism is a mode of exchange has caused him to argue that the transfer of surplus within the capitalist world economy has played a crucial role in determining the types of development

²⁶ I. Wallerstein, "The Rise and Future Demise of the World Capitalist System: Concepts for Comparative Analysis", I. Wallerstein, Capitalist World Economy, Cambridge University Press, 1979, p.15.

experienced by its constituent parts. Indeed, it was the "flow of surplus which enabled the capitalist system to come into existence."²⁷ To approach the problem from another angle, Wallerstein has looked at the disparities of development which exist between the core and the periphery and incorrectly assumed that there is a link between them. Such a link is presumed to reside in the flow of surplus which is extracted from the periphery, transported along the "conveyor-belt"²⁸ of the semi-periphery and concentrated in the core. Within this system of surplus transfer, the "development" of the core is both the result and the cause of the "underdevelopment"²⁹ of the periphery. Put bluntly, "the gain in one region is the counterpart of the loss in another."³⁰

The incorporation of the periphery into this system of exploitative exchange relations provided the west European core with the capital, among other things, which it required in order to industrialize:

...the inclusion of eastern Europe and Hispanic America into the European world-economy in the sixteenth century not only provided capital (through booty and high profit margins) but also

²⁷ I. Wallerstein, The Modern World-System, vol.1., p.87.

²⁸ I. Wallerstein, The Modern World-System: Mercantilism and the Consolidation of the European World Economy 1600-1750, vol.2., Academic Press, 1980, p.241.

²⁹ I. Wallerstein, "Underdevelopment and Phase B: Effect of Seventeenth Century Stagnation on Core and Periphery of the European World Economy", W.L. Goldfrank, The World-System of Capitalism, Beverly Hills, 1979, p.72.

³⁰ I. Wallerstein, The Modern World-System, vol.1., p.356.

liberated some labour in the core areas for specialization in other areas.³¹

This linkage of core and periphery within a system of surplus transfer makes two assumptions. Firstly, a flow of surplus from the periphery to the core is necessary if the core is to experience development. Secondly, the periphery must specialize in the production of raw materials if the core is to become increasingly oriented towards the production of manufactured goods. Overall, the development of western Europe was only made possible by the contribution of the periphery.

I will argue that Wallerstein's explanation of the development of the core in terms of a transfer of surplus is flawed as a result of his incorrect assumptions regarding the magnitude and role of the commerce between the core and the periphery. I will show that among the totality of factors which account for the development of the core, commerce with the periphery is not especially significant. The conclusion is unmistakable, the development of the core does not require the underdevelopment of the periphery. In a study of the contribution of the periphery to Europe's economic development, Patrick O'Brien concludes that

the commerce between western Europe and regions at the periphery of the international economy forms an insignificant part of the explanation for the accelerated rate of economic growth experienced by the core after 1750.³²

³¹ *ibid.*, p.102.

³² P. O'Brien, "European Economic Development: The Contribution of the Periphery", Economic History Review, 2nd. series, vol.35., 1982. p.3.

In an expansion of this argument, we will look at four major aspects of the "commerce" that took place between the core and periphery.

The first examines the supposedly vital role played by the periphery as a source of raw materials to the industries of the core. Despite arguments which view the acquisition of raw materials as being one of the imperatives of imperialism, such a requirement is only a very recent feature of capitalism in developed nations. As late as the 1930's the self-sufficiency of the developed world was remarkable with locally mined and processed raw materials accounting for between 93-96% of the value of total consumption.³³ By some estimates, the industrialized world has only begun to depend on the third world as a source of raw materials since 1955.³⁴ Until then "the developed countries were able to reach a very high level of industrialization on the basis of local raw materials".³⁵ In other words, the mere existence of a raw material producing periphery does not imply that it was vital to the manufacturing of the west.

The second aspect of this commercial relationship supposedly involves the periphery's role as a vital market for the manufactured goods produced by the core. Wallerstein's argument appears to have some limited validity

³³ P. Bairoch, "Historical Roots of Economic Underdevelopment", p.210.

³⁴ *ibid.*

³⁵ *ibid.*

when we consider how the non-developed world absorbed 18% of all European exports between 1800 and 1939.³⁶ It would appear that the periphery provided a significant market for European goods, most of which were manufactured. Viewed in the context of total European output, however, the significance of the non-developed world as a market is greatly diminished. During the same period, exports to the third world represented a meagre 1.7% of Europe's GNP.³⁷ If we look at the totality of economic activity the role of foreign trade is dwarfed by the stimulus provided by "home demand". In short, the role of the periphery as a market was an insignificant factor when accounting for the causes of economic development in the core.

The third aspect of this commerce involves the role played by the profits accruing to the core powers from trade with the periphery. Wallerstein attempts to argue that these profits provided vital capital which was required to 'kick start' the first stages of the industrial revolution. Once again, Wallerstein overestimates the importance of the foreign trade as an engine of growth. During the early stages of industrialization the capital derived from all foreign trade amounted to between 6% and 8% of the total investments made in European industry.³⁸ If we consider that the periphery accounted for less than one fifth of the

³⁶ *ibid.*

³⁷ *ibid.*

³⁸ *ibid.*, p.213.

core's international trade,³⁹ the profits derived from trade with the periphery could not have provided more than 2% of the total capital required.

The fourth aspect involves the role ostensibly played by the trade of commodities between the core and the periphery, which is said to have allowed a specialization of occupational tasks to come into existence. Wallerstein explains that the periphery's role as the 'breadbasket' of the world allowed labour in the core to be freed from agriculture and move into the nascent industrial sector. Without the periphery, British agriculture would have been unable to spare the workers needed by the rapidly expanding textile industry. Such a conception of the role of trade completely ignores the fact that the British industrial revolution was based upon a prior and contemporaneous agricultural revolution. Enormous improvements in the productivity of the agricultural sector allowed labour to flow from the rural areas into the new industrial cities of Lancashire. Britain was by no means an exceptional case. Gains made in agricultural productivity across Europe and the United States allowed labour to flow into the industrial sector. O'Brien concludes that

Trade between the continents simply allowed Europeans to escape from a fixed endowment of natural resources and to consume a mix of exotic commodities which could not be grown or mined in western Europe.⁴⁰

³⁹ *ibid.*, p.210.

⁴⁰ P. O'Brien, "European Economic Development: The Contribution of the Periphery", p.10.

The conclusion is unmistakable: the contribution of the periphery to the process of economic development in the core before 1939 was insignificant. The mere fact that the periphery was tied up in the expanding sphere of the capitalist world-system does not imply that the development of the core was inexplicable without reference to the underdevelopment of the periphery. If there is such an entity as the capitalist world economy it is certainly not, as Wallerstein implies, a zero-sum game with "the gain of one region being the counterpart of the loss in another."⁴¹ The story of European economic development is explicable almost entirely in terms of factors such as capital and technology that were to be found in the core:

Except for a restricted range of examples, growth, stagnation and decay everywhere in Western Europe can be explained mainly by reference to endogenous forces.⁴²

Wallerstein rejects arguments which stress the relative unimportance of the periphery to the development of the core by doubting the validity of the figures. He argues that these figures underestimate the value of products produced by the periphery by failing to recognize the amount of "labour power" which is contained within this merchandise. Wallerstein concludes that such figures

are a heavily biased subsample, one which hides a good deal of the real labour-power entering into what finally emerges in the world market as

⁴¹ I. Wallerstein, The Modern World-System, vol.1., p.356.

⁴² P. O'Brien, "European Economic Development: The Contribution of the Periphery", p.18.

'merchandise'.⁴³

In other words, the figures presented by economic historians fail to understand the nature of the value of the commodities which are exchanged through international trade. In an effort to save his thesis that the transfer of surplus is vital to the development of the core and the underdevelopment of the periphery, Wallerstein is forced to resort to an untenable theory of exploitation. As the following section will show, Wallerstein fails in his attempt to show how "unequal exchange" allows the core to benefit from the exploitation of the periphery.

(1.3) Exploitation and the Modern World-System.

As we have already seen, Wallerstein claims that the capitalist world economy is an exploitative system of exchange relations which transfers surplus from the periphery to the core. The central mechanism through which this international exploitation operates is "unequal exchange". For any form of unequal exchange to occur, values must diverge from prices so that commodities of different value exchange for the same price. Only in this way can a trading partner be said to gain at the expense of another through a system of unequal exchange. Wallerstein's theory of unequal exchange argues that different amounts of "labour power" have been expended to produce commodities which are

⁴³ I. Wallerstein, "European Economic Development: A Comment on O'Brien", Economic History Review, vol.36., 1983, p.581.

exchanged at the same price. In short, unequal exchange involves a transfer of value when one trading partner receives more labour power in exchange for less:

...unequal exchange...is the consequence of the fact that more labour power has gone into producing the value exchanged in one area than another.⁴⁴

The modernity of production in the core and the backwardness of production in the periphery form the basis upon which the core benefits from unequal exchange to the detriment of the periphery:

...a capitalist world economy essentially rewards accumulated capital, including human capital, at a higher rate than "raw" labour power.⁴⁵

Here Wallerstein argues that international trade enables more highly capitalized, technically advanced and labour efficient countries located in the core, to extract value (in the form of labour power) from more labour intensive ones located in the periphery.

Wallerstein's theory of unequal exchange is therefore based on a theory in which the labour content of a commodity determines its value. In a crucial omission, Wallerstein does not provide an explanation of how the value of a commodity is determined by its labour content. Fortunately, much of the controversy surrounding Marxist economics has dealt with the problems arising from a theory of value

⁴⁴ I. Wallerstein, "World-System Analysis: Theoretical and Interpretive Issues", p.223.

⁴⁵ I. Wallerstein, The Modern World-System, vol.1., p.350.

predicated on labour input. Drawing on the Marxist debate,⁴⁶ my rejection of Wallerstein's theory of unequal exchange is based upon the inadequacy of any labour theory of value.

The labour theory of value lies at the heart of the Marxist attempt to explain the nature and consequences of commodity exchange. In his desire to formulate a consistent theory of exchange Marx searched for a property shared by all commodities. He incorrectly concluded that only **one** such property existed. The identification of labour input as **that** unique property accounts for his failure to identify "marginal utility" as an equally valid basis for a consistent theory of exchange. The theory of marginal utility claims that all commodities are comparable on the basis that they are all subject to varying degrees of desirability on the part of the consumer. This failure to identify other properties besides labour input as being common to all commodities lies at the heart of the failure of the labour of value as an explanation of commodity exchange.

This initial failure is compounded by the second assumption: that labour is the only factor of production capable of adding value to raw materials and the machinery used to work them. This assumption hopes to explain why, given the availability of the means of production, the finished product has a greater value than the raw materials.

⁴⁶ An especially good summary of some recent developments in the debate on the labour theory of value is to be found in I. Steedman, et al, The Value Controversy, Verso Editions, 1981.

Both these assumptions form the basis of the labour theory of value which simply states that value is determined by socially necessary labour time. This rather jargonistic definition of value simply refers to the labour time required to produce a commodity under standard conditions of labour productivity, that is, the degree of skill, technology and intensity of labour prevalent in a particular society.

Using the labour theory of value as their basis, Marxists attempt to explain the origins of profit. Although I will show how this attempt ends in failure, the explanation proceeds in the following manner. Under capitalism, labour power is a commodity which the worker sells to the capitalist in return for wages. Having purchased this labour power the capitalist employs it in the production of commodities which are sold on the market. In order for capitalists to realize a profit they must buy labour power at a value which is lower than the amount of value that labour power creates. The profit corresponds to the difference between the value created by workers' labour and the payment (wages) they receive in return. Expressed in such terms, the profit accruing to capital is dependant on the amount of surplus labour which can be squeezed from each worker. Some Marxists now conclude that capitalism exploits the worker by appropriating some of the value which was created by the worker.

It will be my contention that this explanation of the origins of profit, and hence exploitation, cannot be derived

from the labour theory of value.⁴⁷ I will show how value defined as socially necessary labour time specifically precludes the charge of exploitation which this account of profit levels at capitalism.

Contrary to appearances, the labour theory of value does not offer any support to this charge of exploitation, as value is determined by factors other than socially necessary labour time. Monopoly ownership of the means of production causes the value of a commodity to rise above the value it would normally reach if competing firms produced a similar commodity. It would therefore appear that patterns of ownership could determine the value of a commodity. Marxists respond to this criticism of the labour theory of value by arguing that patterns of ownership can only affect the price of a commodity and therefore the amount of value the owners can get their hands on. No part of the value they receive is created by ownership. This defence of the labour theory of value has employed an interesting subterfuge where the original definition of value as socially necessary labour has shifted to one where value is **created** by labour. Even this revised formulation of the labour theory of value is incapable of supporting a charge of exploitation as the statement, that labour is created by value, is also open to damning criticism.⁴⁸ If we recall the notion of "marginal

⁴⁷ Here I am relying on the arguments found in G.A. Cohen, "The Labour Theory of Value and the Concept of Exploitation", I. Steedman et al, The Value Controversy, Verso Editions, 1981, pp.202-223.

⁴⁸ A more complete rejection of the claim that "labour creates value" is found in section 3.3 below.

utility", a factor often overlooked by Marxists, it can be argued that the extent of the consumers desire for a product can affect its value. Value may be deemed to be created by desire and not by labour. Cohen correctly concludes that the logical corollary to this highlights the absurdity of the claim that labour creates value:⁴⁹

If labour's creation of value would give the labourer a claim to value because he had created it, then so would the desirer's creation of value give him a claim on that basis...The suggestion is absurd.⁵⁰

As a general conclusion, the labour theory of value in any form is an inadequate explanation of commodity exchange. With regard to the labour input, all that can be concluded is that labour creates commodities which **have** value, not value **itself**. Other factors such as risk capital and entrepreneurial skills also determine the value of commodities.

The point is this. The labour theory of value in any form is an inadequate explanation of the exploitation which Marxist's claim is a central feature of capitalism. By defining the value of a commodity in terms of labour input it is illogical to argue that exploitation occurs when capitalists receive, as profit, some of the value created by workers. In exactly the same way, Wallerstein is unable to argue that exploitation occurs because international trade

⁴⁹ "...a man's desire for something cannot be a reason for his receiving it on the ground that his desire for it enhances its value, even if it does enhance its value. That ground is surely unintelligible." G.A. Cohen, "The Labour Theory of Value and the Concept of Exploitation", p.220.

⁵⁰ Ibid.

allows the core countries to extract, as profit, some of the labour power produced in the periphery. There is no validity to his claim that the exploitation of the periphery by the core is the result of an unequal exchange of labour power. The fact that more labour power has been expended to produce a commodity exchanged for a commodity which contains less does not show that value is being transferred from one producer to another. Wallerstein's theory of unequal exchange can only show that commodities which exchange at the same price are often produced under varying degrees of labour productivity. The employment of labour saving technology does not enable the more efficient producer to exploit the less efficient one.

(1.4) The Problem of the Semi-Periphery.

In the course of our discussion we have seen how Wallerstein's capitalist world economy is characterised by unequal exchange which acts to transfer surplus from the periphery to the core. This system of international exploitation then precipitates the development of the core and the underdevelopment of the periphery. Essentially, Wallerstein's model of economic development is bi-polar with the "gains in one region being the counterpart to the loss in another".⁵¹ This final section will examine the way in which the semi-periphery sits within the bi-polar nature of

⁵¹ I. Wallerstein, The Modern World System, vol.1., p.356.

Wallerstein's capitalist world economy.

Wallerstein assigns to the semi-periphery an intermediary position within the capitalist world economy's system of exploitative exchange relations. While the core exploits, and the periphery is exploited, the semi-periphery falls somewhere in between the two as "both the exploiter and the exploited".⁵² In a clarification of this intermediary position Wallerstein explains how "the semi-periphery represents a midway point on a continuum running from the core to the periphery."⁵³ If we are to locate the characteristics which define the semi-periphery, we must first examine the set of criteria which defines that continuum.

Wallerstein defines a number of criteria upon which the core and periphery occupy opposite ends of the same spectrum. Accordingly, the semi-periphery is located somewhere in the middle of this spectrum "in terms of the kinds of product it exports and in terms of the wage levels and profit margins it knows."⁵⁴ Broadly speaking, Wallerstein defines the core as carrying out "high profit, high technology, high wage, diversified production". Conversely,

⁵² I. Wallerstein, "The Rise and Future Demise of the World Capitalist System: Concepts for Comparative Analysis", I. Wallerstein, The Capitalist World Economy, Cambridge University Press, 1979, p.23.

⁵³ I. Wallerstein, The Modern World-System, vol.1., p.102-03.

⁵⁴ I. Wallerstein, "Dependence in an Interdependent World: The Limited Possibilities of Transformation within the Capitalist World Economy", I. Wallerstein, The Capitalist World Economy, Cambridge University Press, 1979, p.71.

the periphery carries out "low profit, low technology, low wage, less diversified production".⁵⁵ In accordance with its intermediary position we would expect the semi-periphery to export a partially diversified range of goods which embody profit margins, wage levels and methods of production that lie between the highs and lows mapped out by the core and periphery.

While it is possible to differentiate between the core and periphery on a number of criteria such as wealth, output and growth rates, it is not possible to make any useful generalizations about the group of nations which Wallerstein defines as semi-peripheral. In a total rejection of this intermediary category I will show how the semi-periphery does not, on any set of criteria, form a distinct group of nations which lie between the core and periphery. The nations I will use to prove the non-existence of a semi-periphery have all been specifically named by Wallerstein as members of this group.⁵⁶ Furthermore, I have chosen statistics whose dates are close to the date at which

⁵⁵ I. Wallerstein, "Semi-Peripheral Countries and the Contemporary World Crisis", p.462.

⁵⁶ The semi-periphery includes: "Brazil, Mexico, Argentina, Venezuela, possibly Chile and Cuba. It includes the whole outer rim of Europe: the southern tier of Portugal, Spain, Italy and Greece; most of eastern Europe; parts of the northern tier such as Norway and Finland. It includes a series of Arab states; Algeria, Egypt, Saudi Arabia; also Israel. It includes in Africa at least Nigeria and Zaire, and in Asia, Turkey, Iran, India, Indonesia, China, Korea and Vietnam. And it includes the old white commonwealth: Canada, Australia, South Africa and possibly New Zealand."

I. Wallerstein, (1976), "Semi-Peripheral Countries and the Contemporary World Crisis", p.465.

Wallerstein published his list of semi-peripheral countries.

If we examine the rates of economic growth achieved by certain members of the semi-periphery from 1960 to 1972 we will find they are spread right across the spectrum from the highest to the lowest. Saudi Arabia achieved the third highest growth rate in the world at 113% while India was amongst the lowest at 17%.⁵⁷ Other members of the semi-periphery such as New Zealand and Australia achieved growth rates which were almost identical to core nations such as Britain and the U.S.

If we examine the levels of per capita wealth enjoyed by members of the semi-periphery in 1972, huge disparities will become apparent. Canada was the third richest country in the world with a per capita GNP of \$3260 while India was one of the poorest with a per capita income of \$89.⁵⁸ Once again, most members of the core and periphery fell within this huge range mapped out by the semi-periphery. Consequently, some semi-peripheral nations experienced a level of affluence that should have placed them in the core while others belong firmly in the periphery. In 1972 New Zealand had a per capita GNP of \$1918 while Britain was only marginally wealthier at \$1976.⁵⁹

A similar picture emerges if we look at the percentage of the population who are engaged in agricultural production.

⁵⁷ B. Warren, Imperialism: Pioneer of Capitalism, New Left Books, 1980, p.196.

⁵⁸ B. Warren, "Imperialism and Capitalist Industrialization" New Left Review, No.81., 1973, pp.8-9.

⁵⁹ *ibid.*

As recently as 1970 Turkey had one of the highest rates of employment in agriculture at 77% while Australia was amongst the lowest at 8%.⁶⁰ Once again, there exists a huge disparity among nations of the semi-periphery with Turkey belonging more properly in the periphery and Australia in the core.

If we examine manufacturing output expressed as a percentage of total domestic output the non-existence of the semi-periphery will be demonstrated once again. In 1966 Nigeria's manufacturing sector accounted for 6% of her total output while 1969 saw 31% of Canada's output appear in the form of manufactured goods.⁶¹ Therefore, Nigeria's manufacturing output places her firmly in the periphery while Canada's manufacturing sector contributed more to its total output than that of the U.S. The few examples we have looked at suggest that there is little validity in comparing the productive processes of semi-peripheral nations like China and Vietnam with those of Australia and New Zealand. While it is possible to define the existence of the core and periphery on the basis of a set of mutually exclusive criteria, such as wealth, it is impossible to make any useful generalizations about the group of nations which is said to belong to the semi-periphery. The group of nations which Wallerstein maintains belong to the semi-periphery in fact conform no more to his definition of the semi-periphery

⁶⁰ J.W. Kendrick and B.N. Vaccara, New Developments in Productivity Measurement and Analysis, University of Chicago Press, 1980, pp.580-81.

⁶¹ B. Warren, "Imperialism and Capitalist Industrialization", pp.8-9.

than other nations.

It appears that Wallerstein has two poorly conceived criteria in mind when he specifies which nations belong in the semi-periphery. These criteria regard the presence of heavy industry and/or oil wealth as the basis for a nations membership of this amorphous group.⁶² According to Wallerstein's criteria, the semi-periphery covers nations as disparate as China, India and Canada on the basis of their heavy industry, and Saudi Arabia, Venezuela and Indonesia on the basis of their oil wealth. The inability to fulfil these requirements would explain why Wallerstein regards New Zealand's membership of the semi-periphery as problematic.⁶³ Indeed the problem posed by the "old white commonwealth" is that its wealth was built on agriculture and in the case of New Zealand still is. It will be my contention that the creation of the semi-periphery was undertaken in order to remove difficult cases like the members of the "old white commonwealth" from Wallerstein's core-periphery schema.

Within Wallerstein's essentially bi-polar model of development the semi-periphery functions as both "the exploiter and the exploited".⁶⁴ Consequently, the semi-periphery facilitates the transfer of surplus from the

⁶² My thanks to Dr. Chris Connolly for pointing this out.

⁶³ If we recall Wallerstein's list of semi-peripheral nations, "it includes the old white commonwealth: Canada, Australia, South Africa, and **possibly New Zealand.**" See I. Wallerstein, "Semi-Peripheral Countries and the Contemporary World Crisis", p.465.

⁶⁴ I. Wallerstein, "The Rise and Future Demise of the World Capitalist System", p.23.

periphery to the core by acting as a "conveyor belt of surplus value."⁶⁵ The pattern of trade which characterized the "old white commonwealth", however, precluded these nations from acting as an international middleman.⁶⁶ Since their incorporation into the world economy, Australia and New Zealand have enjoyed preferential trading arrangements with Britain which allowed them to export primary products in exchange for manufactured goods. Within this network of exchange, any trade which existed between Australasia and the underdeveloped world was relatively non-existent. Contrary to Wallerstein's argument, the nature and direction of the trade engaged by Australia and New Zealand precludes these semi-peripheral countries from acting as the "conveyor belts" of surplus value.

In an implicit admission of the problematic economic role played by the semi-periphery, Wallerstein concludes that "the semi-periphery is then assigned as it were an economic role, but the reason is less economical than political."⁶⁷ In this capacity as both exploiter and exploited the semi-periphery supposedly acts to keep the core-periphery structure of the capitalist world economy from moving towards excessive polarization. The semi-periphery acts to

⁶⁵ I. Wallerstein, The Modern World-System, vol.2., p.241.

⁶⁶ Semi-Peripheral countries "act as a peripheral zone for core countries and in part they act as a core country or peripheral areas." See: I. Wallerstein, "Semi-Peripheral Countries and the Contemporary World Crisis", p.463.

⁶⁷ I. Wallerstein, "The Rise and Future Demise of the Capitalist World System", p.23.

partially deflect the political pressures which groups primarily located in peripheral areas might otherwise direct against core states and the groups which operate within and through their state machineries.⁶⁸

Despite Wallerstein's assurances to the contrary,⁶⁹ the semi-periphery is merely a "residual category" which serves to remove difficult cases like New Zealand from his essentially bi-polar system of surplus transfer.

The difficulties presented by countries like New Zealand stems from their reluctance to conform to the contours formed by the three zones of Wallerstein's capitalist world economy. New Zealand and other members of the "old white commonwealth" exhibit an unusual amalgam of characteristics which do not allow them to fit comfortably within either the core or the periphery.

Since New Zealand became incorporated into the world economy it has exported a narrow range of primary products to an even smaller range of markets. As recently as 1965 the U.K. accounted for 45% of New Zealand's exports and 53% of its imports. By 1985, however, these figures had fallen to 9% in both categories.⁷⁰ This extremely low level of diversification in 1965 helped New Zealand to achieve a high level of affluence that was normally associated with the more mature capitalist nations such as Britain. In direct

⁶⁸ I. Wallerstein, The Modern World-System, vol.1., p.350.

⁶⁹ "The semi-periphery, however, is not an artifice of statistical cutting points, nor is it a residual category." see I. Wallerstein, The Modern World-System, vol.1., p.349.

⁷⁰ S. Birks and S. Chatterjee, The New Zealand Economy: Issues and Policies, Dunmore Press, 1988 p.194.

contrast to the implications of world systems analysis, New Zealand's peripheral-type trade profile enabled her to enjoy core-like levels of affluence. In continued defiance of Wallerstein's model, New Zealand's increasingly diversified trade profile has been accompanied by her declining wealth relative to the rest of the world. Indeed, one of Wallerstein's critics concludes that

Had he [Wallerstein] been a specialist on modern Australia or New Zealand, he might have come to different conclusions, for these are excellent examples of the way dependent primary producing regions can launch themselves by trade with more developed nations into an orbit of continuous growth.⁷¹

I have argued that Wallerstein's model of 'partial' development does not account for the experience of the semi-periphery in general or New Zealand in particular. What is apparent from this critique of Wallerstein is that the nature of New Zealand's development was certainly not the result of its playing an intermediary role in a world system which acted to transfer surplus from the periphery to the core. My objection to this semi-peripheral role being cast for New Zealand is based on three points. The first notes how the simple transfer of surplus cannot possibly account for certain types of development.⁷² As we have already seen, it is certainly not the case that development is the result of the "successful expropriation of the world surplus".⁷³ My

⁷¹ T.C Smout, "Scotland and England: Is Dependence a Symptom or a Cause of Underdevelopment?", Review, vol.3., No.4., 1980, p.603.

⁷² Refer to section (1.2) above.

⁷³ I. Wallerstein, "Semi-Peripheral Countries and the Contemporary World Crisis", p.466.

second objection is based on the inability of Wallerstein's theory of unequal exchange to account for a transfer of surplus.⁷⁴ Without a viable mechanism to transfer this expropriated surplus Wallerstein is unable account for the divergent paths of development experienced by the three zones of his capitalist world economy. The third notes how New Zealand's pattern of trade precludes her from acting as a conveyor belt of surplus value by playing an intermediary role in trade between the core and periphery.

This chapter has highlighted a crucial challenge presented by nations like New Zealand to world systems analysis. The remainder of this thesis will examine the historiography based on the theories of development propounded by Wallerstein, which attempt to account for the development of New Zealand.

⁷⁴ Refer to section (1.3) above.

Chapter two: BEDGGOOD AND THE SEMI-COLONIAL DEVELOPMENT OF
NEW ZEALAND.

(2.1) New Zealand and the Modern World System.

David Bedggood explains the development of New Zealand by postulating the existence of a world-wide system of production and exchange. This approach assumes that a country's development can only be understood if it is viewed in the context of the world system in which it evolved. Consequently, Bedggood's explanation for the development of New Zealand begins with an analysis of the "modern world system":

The approach adopted in this book treats New Zealand society as part of world society - 'the modern world system'.¹

The similarities between Bedggood and Wallerstein do not end with each postulating the existence of a global network which they name the "modern world system". The origins and functions of Bedggood's modern world system are also identical to Wallerstein's.

The birth of Bedggood's modern world system coincided with the rise of capitalism in northwestern Europe. This world system then expanded from its European core to incorporate all non-capitalist societies. With the geographical expansion of the modern world system, production was increasingly organized on a global scale. As

¹ D. Bedggood, Rich and Poor in New Zealand: A Critique of Class, Politics and Ideology, George Allen and Unwin, 1980, p.17.

a consequence of this global scale of production different states within the modern world system began to specialize in the production of a certain range of commodities.

Specialization begot specialization and the modern world system evolved into an "international division of labour".²

Accordingly, those non-capitalist societies which were swallowed up by the modern world system were assigned specific roles within this "expanding division of labour":

As the world system developed, it incorporated non-capitalist economies, fitting them into the expanding division of labour as producers of particular commodities.³

This expanding division of labour divided the modern world system into an imperial centre which specialized in manufacturing and a colonial periphery which produced raw materials. These distinct roles allowed the "imperial power" and the "colony" to develop as different yet complementary parts of this international system of production and exchange:

The role of a colony is to supply relatively cheap raw materials and labour power to an imperial power whose function it is to import raw materials from colonies, process them, and export some finished products back to the colonies.⁴

These different roles within the "international division of labour" determined the kinds of development which would take place within these two zones of the modern world system:

'Development' is the consequence of the place of an economy within the international division of

² *ibid.*, p.18.

³ *ibid.*

⁴ *ibid.*, p.31.

labour; by this I mean the country's particular role in producing particular commodities for the international economy.⁵

Bedggood uses the term "development" to refer to the vastly different historical experiences of an imperial power and its colonial subject. Once incorporated into the modern world system, those countries which were "assigned a colonial role" became "underdeveloped" while the imperial powers became "developed".⁶ The most striking consequence of these different types of development is manifested in the poverty of the underdeveloped world and the wealth of the developed world. If we adopt more familiar terminology, underdeveloped countries belong to the poverty stricken third world while developed countries are those affluent members of first world.

Bedggood explains these different experiences of development in terms of the rich nations exploitation of poor nations. In his own words, the colonies

are poor because they were once 'rich' and their raw materials and labour have been plundered and exploited by the more advanced European powers since the sixteenth century.⁷

The reverse also applies: the imperial powers became rich as a result of their "plunder and exploitation" of the colonies. Bedggood's modern world system, like Wallerstein's, is an international division of labour in which the poverty of the underdeveloped world is

⁵ *ibid.*

⁶ *ibid.*

⁷ *ibid.*

inextricably tied to the wealth of the developed world.

Bedggood then goes on to argue that this international division of labour was organized in a way which enabled the imperial centre to "plunder and exploit" the colonial periphery. Such exploitation was possible because the modern world system was controlled by "the capitalist class of the imperialist states".⁸ Consequently, the modern world system ensured that the colonial periphery "developed", albeit towards underdevelopment, in a way which benefited the productive and consumptive requirements of the imperial centre:

...the countries of the 'periphery'...have "developed" to suit the interests of international capital rather than [the interests] of the indigenous populations.⁹

The process of "development" experienced by colonies was, therefore, dependent upon the needs of international capital located in the imperial centre. This dependence was enforced through the "ownership and control of the economic resources of the poor nations" by the "capitalist class of the imperialist states".¹⁰

It is now obvious that the modern world systems described by Bedggood and Wallerstein share remarkable similarities. Both are essentially bi-polar models with the development of the imperial centre being inextricably linked to the underdevelopment of the colonial periphery. The

⁸ *ibid.*

⁹ *ibid.*, p.18.

¹⁰ *ibid.*, p.31.

causal mechanisms which link these two poles are defined by relationships of exploitation and domination. Indeed, it is helpful to picture these relationships as a set of coordinates which are defined by the limits established by the exploiter and the exploited, dependence and independence, development and underdevelopment. The similarities between Wallerstein and Bedggood do not end here. Both encounter problems when they interpolate an intermediate category in their bi-polar model of development. Those nations which fail to conform to the mutually exclusive criteria set up by the modern world system reside somewhat uneasily in the middle of the continuum marked out by the imperial core and the colonial periphery. Bedggood has replaced Wallerstein's semi-periphery with his own residual category which he names the "semi-colony".¹¹

New Zealand and other "lands of white settlement"¹² are those awkward semi-colonial nations which exhibit characteristics of the imperial centre and the colonial periphery. New Zealand's early independence and relative affluence stand incongruously with the degree of her dependence upon British capital and markets. Clearly, New Zealand does not belong at either pole of the modern world system but "somewhere" in the middle:

¹¹ *ibid.*

¹² D. Bedggood. "New Zealand's Semi-Colonial Development: A Marxist View", Australian and New Zealand Journal of Sociology, vols.13-14., 1977-78, p.285.

New Zealand's place in this scheme of things is somewhere in the middle, a nation which indirectly exploits and therefore benefits from favoured economic development yet at the same time is dependent on British capital.¹³

As a result of his adoption of this bi-polar model of development, Bedggood is unable to squeeze New Zealand into the middle of the relationships defined by development, dependence and exploitation. Quite simply, New Zealand does not reside "somewhere in the middle" of these mutually exclusive criteria which define the modern world system. As we shall see New Zealand was more dependent upon foreign capital than colonial India and periodically exhibited a standard of living which exceeded that of imperial Britain. One Marxist statistician concludes that during the 1880's real wages in New Zealand exceeded those in Britain by a ratio of 35 to 30.¹⁴ This would make "semi-colonial" New Zealand more affluent than an imperialist state. Contrary to Bedggood's claim, New Zealand lies at opposite ends and not the "somewhere in the middle" of the modern world system.

Bedggood is unwittingly 'hoist' by the same 'petard' as Wallerstein. While Wallerstein invented an intermediary category to remove difficult cases like New Zealand from his bi-polar model of development, Bedggood actually proposed the existence of the modern world system as a way to understand the development of New Zealand!

¹³ D. Bedggood, Rich and Poor in New Zealand: A Critique of Class, Politics and Ideology, p.33.

¹⁴ J. Kuczynski, A Short History of Labour Conditions Under Industrial Capitalism in Great Britain and the Empire 1750-1944, London, 1972, p.181.

Despite Bedggood's inability to place New Zealand precisely within the modern world system he still maintains that New Zealand's intermediate form of development was largely determined by its semi-colonial role within the international division of labour:

While a form of 'dependent' partial development took place in the white settler colonies, it was largely determined by the production of specialized commodities in the international division of labour.¹⁵

Just as New Zealand's experience of "favoured economic development"¹⁶ is contrasted with the underdevelopment of the colonies, the political independence of semi-colonial states stands in vivid contrast to the colonies still under foreign rule. Bedggood claims that despite New Zealand's formal political independence, the "semi-colony" had no more control of her economic resources than colonies like India which did not enjoy independence. Therefore, the political independence of "white settler dominions"¹⁷ in no way implies a greater degree of national control over their economic resources:

In the case of white settler dominions such as New Zealand, though self governing, the domination of 'foreign' capital in the ownership and control of economic resources is no less real than in any other form of colony.[sic]¹⁸

Although the foreign domination of indigenous economic resources was a feature of both colonies and semi-colonies,

¹⁵ *ibid.*, p.18.

¹⁶ *ibid.*, p.33.

¹⁷ *ibid.*, p.18.

¹⁸ Bad grammar in the original. *ibid.*

Bedggood wishes to distinguish between them on the basis of their respective access to foreign capital. If we examine the amount of capital Britain invested in her empire we find that the "white settler colonies" of Canada, Australia, New Zealand and South Africa usually absorbed more capital than India. During the decade of the 1880's, these states received 29% of all British capital while India received 15%.¹⁹ British capital continued to flow in similar ratios until the 1930's. Although these figures show the collective preeminence of "white settler states" they also show India to be a very important outlet for British capital. This importance is underscored during the 1860's which saw 21% of British capital invested in India compared with 12% for the "white settler states".²⁰

Bedggood claims that the superior access of semi-colonies to British capital explains why they were able to occupy a different role from the colonies within the international division of labour:

What distinguishes the dominions from colonies, however, is the greater extent to which the foreign investment of foreign capital -especially in the form of national debt- allowed them to develop as highly efficient primary producers in the international division of labour.²¹

While the ability of "white settler dominions"²² to attract

¹⁹ M. Barratt Brown, After Imperialism, Heinemann, 1963, p.110.

²⁰ *ibid.*

²¹ D. Bedggood, Rich and Poor in New Zealand: A Critique of Class, Politics and Ideology, p.18.

²² *ibid.*, p.18.

the lion's share of British capital may have aided their "favoured economic development"²³ Bedggood's explanation is made in terms of a vague reference to New Zealand inadvertently abetting "the expansion of British capital":²⁴

...settler colonies like New Zealand escaped the trap of underdevelopment, not because local states were able to resist the British state, but because they acted as agents of the imperial state by 'developing' along lines which furthered the expansion of British capital.²⁵

In other words, Bedggood argues that New Zealand developed as a "highly efficient primary producer"²⁶ because this best suited the interests of British capitalism. The remainder of this chapter will show how New Zealand's annexation, colonization and subsequent development did not serve the needs of British capitalism. Consequently, Bedggood is unable to explain the development of New Zealand by referring to the imperatives of the modern world system in general and British capitalism in particular.

(2.2) The Semi-Colonial Development of New Zealand.

The rigidly deterministic analysis of Bedggood portrays the development of New Zealand as a reflection of the overall development of capitalism on a world scale. Within this world system New Zealand and other "white settler

²³ *ibid.*, p.33.

²⁴ *ibid.*, p.32.

²⁵ *ibid.*

²⁶ *ibid.*, p.18.

dominions" evolved as "semi-colonies".²⁷ This semi-colonial status was the key factor in determining the course of New Zealand's development. Bedggood writes that "New Zealand's development is determined in the last instance by its semi-colonial role in the capitalist world system."²⁸

As we have already seen, New Zealand became a semi-colonial state so that she could develop along lines which served the needs of British capitalism:

...it was British capitalism that assigned to the semi-colonial state a role which determined the form of development that took place in New Zealand.²⁹

This semi-colonial role saw New Zealand "develop as a highly efficient primary producer in the international division of labour."³⁰ The following discussion is a critical evaluation of two aspects which Bedggood claims describe New Zealand's semi-colonial role within this international division of labour. The first aspect describes how New Zealand was able to develop as a "highly efficient primary producer". The second gives some of the reasons why British capitalism required New Zealand to develop along semi-colonial lines.³¹

Bedggood argues that New Zealand enjoyed three advantages which allowed her to develop as a "highly

²⁷ *ibid.*

²⁸ *ibid.*, p.44.

²⁹ *ibid.*, p.32.

³⁰ *ibid.*, p.18.

³¹ We will examine the requirement of British Capitalism for New Zealand's land and raw materials in section (2.3) below.

efficient primary producer".³² The first advantage stemmed from the "social form of production"³³ employed by New Zealand agriculture. Unlike the capitalist farmer employing wage labour, the New Zealand farmer employed the "petty commodity" form of production which used "family labour"³⁴. Bedggood claims that the cost of labour is lower where a farmer employs family members. Where work was not performed by a family member, wage labourers were employed and "paid low wages or worked in return for their keep".³⁵ Therefore, the use of "family labour", occasionally supplemented with low paid wage labour, enabled this petty commodity form of production to keep labour costs very low.³⁶

The second advantage enjoyed by New Zealand agriculture was derived from a phenomenon Bedggood terms "founders' rent"³⁷. This term refers to the natural fertility of the land which freed the colonial farmer from the expense of "building up the fertility of the soil through artificial means".³⁸ Until this natural fertility had to be replenished by fertilizer, colonial New Zealand was able to produce a larger agricultural surplus than other countries given the

³² D. Bedggood, Rich and Poor in New Zealand A Critique of Class, Politics and Ideology, p.18.

³³ *ibid.*, p.35.

³⁴ *ibid.*

³⁵ *ibid.*

³⁶ *ibid.*

³⁷ *ibid.*

³⁸ *ibid.*

same inputs of capital and labour. "Founders' rent" enabled New Zealand agriculture to expend less capital and labour to produce primary products which were as valuable as those of its competitors. In Bedggood's words, "the more fertile the land the greater the value produced for a given amount of capital and labour-power."³⁹

As the natural fertility of the land was used up the advantages derived from "founders' rent" declined. The application of fertilizer required the capital and labour inputs of agriculture to rise which gradually eroded the cost advantage enjoyed by New Zealand farmers. In order to maintain this cost advantage the state intervened to subsidize the capital costs of agriculture. This provision of "state aid"⁴⁰ was the third advantage enjoyed by New Zealand agriculture. This subsidy took several forms, the first being the provision of "cheap credit" in order to defray the increasing costs being encountered with declining fertility.⁴¹ The second measure involved the creation of "state agencies for the marketing of produce".⁴² Probably the most significant subsidy was the third, the state's construction of ports and railways in order to "reduce transport and freight costs".⁴³ Overall the state provided an infrastructure which enabled New Zealand agriculture to

³⁹ *ibid.*

⁴⁰ *ibid.*, p.38.

⁴¹ *ibid.*, p.39.

⁴² *ibid.*

⁴³ *ibid.*, p.39.

remain competitive.

There are major problems with Bedggood's explanation of the development of New Zealand as a "highly efficient primary producer".⁴⁴ In claiming that New Zealand enjoyed the advantage of natural fertility, Bedggood is simply wrong. New Zealand has never possessed agricultural land of an unusually fertile nature either before or after the arrival of European settlers. Indeed, the soil resources of England and France are certainly richer than those of New Zealand.⁴⁵ There is a huge variety of soil types in New Zealand, much of it unsuitable for agriculture. In terms of agricultural usage much of the South Island is useless, with a large proportion of the total area being occupied by the Southern Alps and the rainforests of South Westland. The poor tropical and sub-tropical soils of North Auckland are also marginal from an agricultural point of view with large areas now being converted back to forestry. The pockets of rich soils New Zealand does possess, such as the Omihi soil of the Waipara district, are comparatively rare.⁴⁶

As a result of the rather undistinguished fertility of its land, New Zealand agriculture is among some of the least efficient in terms of output per hectare. If we compare the agricultural output produced by one hectare of agricultural land in 1970, Belgium would produce an output which was 514%

⁴⁴ *ibid.*, p.18.

⁴⁵ E.J.B. Cutler, "Soil and History, Rich Soils - First World: Poor Soils - Third World", Historical News, No.51., 1985, University of Canterbury.

⁴⁶ *ibid.*, p.15.

more than New Zealand's.⁴⁷ Any advantage enjoyed by New Zealand agriculture lay in the highly favourable ratio of land to labour. If we compare the amount of land available to each agricultural worker we find that a New Zealand farm labourer worked 950% more land than his Belgian counterpart.⁴⁸ This extremely favourable land/labour ratio allowed New Zealand to enjoy one of the most efficient agricultural sectors in terms of per capita output. Indeed, if we compare the per capita output of agricultural producers, New Zealand's output was 70% larger than Belgium's.⁴⁹

It would appear that the reasons for the development of New Zealand and other "white settler dominions" as "highly efficient primary producers" are to be found in their favourable ratio of land to labour. New Zealand possessed 128 hectares of agricultural land per farm worker. Other "white settler colonies" have similar ratios of land to labour. For example, the figures range from Australia's staggering 1603 hectares per farm worker to Canada's 180 and

⁴⁷ Belgium's output of wheat units per hectare of agricultural land was 9.52 compared with New Zealand's 1.55. All figures are derived from 1970 statistics. J.W. Kendrick and B.N. Vaccara, New Developments in Productivity Measurement and Analysis, University of Chicago Press, 1980, p.530.

⁴⁸ New Zealand possessed 128 hectares of agricultural land per farm worker as opposed to Belgium's 12.2. J.W. Kendrick and B.N. Vaccara, New Developments in Productivity Measurement and Analysis, pp.580-81.

⁴⁹ Belgium's per capita output was 116.2 wheat units compared with New Zealand's world-beating 198.2. J.W. Kendrick and B.N. Vaccara, New Developments in Productivity Measurement and Analysis, p.530.

Argentina's 143.⁵⁰ We will examine Bedggood's claim that the use of the petty commodity mode of production enabled New Zealand to be markedly more efficient than its British counterpart.

In a confirmation of his thesis regarding the cost advantages of the petty commodity form of production Bedggood compares the efficiency of the agricultural sectors of New Zealand and Britain.⁵¹ The purpose of this comparison is to show how the more widespread use of family labour enabled New Zealand to keep labour costs lower than in the more fully capitalist agricultural sector of Britain. Such a comparison is very difficult and Bedggood avoids such problems by using a "hypothetical example"⁵² which simply assumes the lower cost of labour in New Zealand. Even if this assumption was justified, Bedggood is in no way entitled to conclude that the use of different modes of labour control account for the lower cost of agricultural labour in New Zealand. As we have already noted, a vastly more favourable ratio of land to labour is more likely to be the cause of any "advantages" enjoyed by New Zealand agriculture.⁵³

⁵⁰ J.W. Kendrick and B.N. Vaccara, New Developments in Productivity Measurement and Analysis, pp.580-81.

⁵¹ D. Bedggood, Rich and Poor in New Zealand: A Critique of Class, Politics and Ideology, p.36.

⁵² *ibid.*, p.36.

⁵³ In 1970 a New Zealand farm labourer worked 272% more land than his British counterpart. See: J.W. Kendrick and B.N. Vaccara, New Developments in Productivity Measurement and Analysis, pp.580-81.

The widespread use of "family labour" was not simply an "advantage" enjoyed by New Zealand agriculture as Bedggood implies. Indeed, the use of "family labour" was and still is equally prevalent in French agriculture. Consequently, the cost advantages associated with the use of family labour in New Zealand should also be shared by France. In an effort to locate the significance of the use of family labour we will compare the remuneration and productivity of French and British agricultural labour. We will choose 1890 as the date for this comparison as refrigeration by then allowed New Zealand, with her allegedly advantageous "social form of production",⁵⁴ to compete with other meat and dairy producers on the British market.⁵⁵ At this time, the remuneration received by British agricultural labourers was practically identical to their French counterparts.⁵⁶ The simple comparison of remuneration levels, however, does not tell the whole story. The actual cost of labour must take into account both wage and productivity levels. With respect to productivity, we find that the per capita output of British agricultural labour was 111% higher than that of the

⁵⁴ D. Bedggood, Rich and Poor in New Zealand: Critique of Class, Politics and Ideology, p.35.

⁵⁵ T. Brooking, "Economic Transformation", Oxford History of New Zealand, Oxford University Press, 1987, p.232.

⁵⁶ The wage rate was 2.5 in Britain and 2.43 in France. All figures are compiled from the 1890 statistics. See: J.W. Kendrick and B.N. Vaccara, New Developments in Productivity Measurement and Analysis, pp.570-73.

French.⁵⁷ Consequently, the higher wages received by British agricultural labour were more than offset by its superior productivity. Contrary to Bedggood's claim, the prevalence of petty commodity production in France and wage labour in Britain resulted in a lower unit labour cost in a more fully capitalist agricultural sector.

This is the crux of Bedggood's error. The use of family labour rather than wage labour cannot **by itself** explain a disparity in the costs of agricultural labour. As we have already seen, what we need to look at is the ratio of land to labour. Here we find that a French agricultural labourer worked 52% less land than his British counterpart.⁵⁸ In fact, this unfavourable ratio of land to labour can be explained by the prevalence of family farms.⁵⁹ In France, therefore, the employment of a petty commodity mode of production acted to keep the real cost of labour up. The main point is clear, if Bedggood wishes to identify any "advantages" enjoyed by New Zealand agriculture he need not go any further than the extremely favourable land to labour ratio. Explanations such as "founders' rent" and the "petty commodity mode of production" are, on the whole, inadequate.

⁵⁷ The per capita output in wheat units was 17.57 in Britain and 8.33 in France. J.W. Kendrick and B.N. Vaccara, New Developments in Productivity Measurement and Analysis, pp.570-73.

⁵⁸ The hectares of agricultural land per worker were 15.65 in Britain and 7.52 in France. J.W. Kendrick and B.N. Vaccara, New Developments in Productivity Measurement and Analysis, pp.570-73.

⁵⁹ R. Brenner, "The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism", New Left Review, 1977, pp.73-77.

Having noted the deficiency of Bedggood's account of the development of New Zealand as a "highly efficient primary producer" we will examine some of the reasons he gives for the way in which British capitalism benefitted from this semi-colonial development. In order to understand how British capitalism benefits from New Zealand's assumption of a semi-colonial role, we must first understand the "chain of exploitative relations"⁶⁰ which forms the basis of capitalism on a world scale. Bedggood's concept of exploitation is an uneasy amalgam of Wallerstein's notion of international exploitation and Marx's notion of inter-class exploitation. Accordingly, Bedggood argues that any surplus that is transferred from colonial India to imperial Britain entails the exploitation of both the peasantry in India and wage labourers in Britain. In other words, Bedggood's notion of exploitation between nations is expressed in terms of inter-class exploitation:

Once we understand how the world system works to syphon surplus value from periphery to centre to facilitate exploitation at the centre, we can trace the exploitative relations of classes within as well as across nations.⁶¹

Gathering the argument together, Bedggood's "chain of exploitative relations" looks like this. British industrial capitalism "plunders and exploits" the "Indian peasant" in order to "accumulate primitive capital".⁶² Having accumulated

⁶⁰ D. Bedggood, Rich and Poor in New Zealand: A Critique of Class, Politics and Ideology, p.42.

⁶¹ *ibid.*, p.41.

⁶² *ibid.*

this capital, British capitalism was able to expand and develop production which further enhanced its ability to exploit British workers and hence to generate a profit. This profit was then exported to the "new lands of settlement"⁶³, such as New Zealand, along with the British workers who were surplus to requirement.⁶⁴ The semi-colonial development that resulted from this export of capital and labour enabled British capitalism to "benefit from the cheap food supplies and the interest on the national debt"⁶⁵ which it obtained from New Zealand. By keeping the costs of production to a minimum, these "cheap food supplies" enabled British capitalism to maximize profitability. This profitability was also enhanced by the expansion and development of British capitalism which was made possible by the collection of interest due on New Zealand's "national debt".

In this way, British capitalism is said to exploit the direct producers in all parts of the modern world system, be they Indian peasants in the colonies, British wage labourers in the imperial centre, or New Zealand petty commodity producers in the semi-colonies. The circle created by Bedggood's global "chain of exploitative relations"⁶⁶ is allegedly closed, allowing British capitalism to exploit all the world's workforce.

⁶³ *ibid.*

⁶⁴ For a more detailed discussion of this point see section (2.3) below.

⁶⁵ D. Bedggood, Rich and Poor in New Zealand: A Critique of Class, Politics and Ideology, p.42.

⁶⁶ *ibid.*

This exploitation of the world's workforce enables British capitalism to maximize its own profitability. What Bedggood does not explain is the way in which this "chain of exploitative relations" works to "syphon surplus value"⁶⁷ from the non-capitalist to the capitalist sectors of the modern world system. Following the Marxist line, Wallerstein identifies "surplus value" as the sole source of the capitalists' profit.⁶⁸ By paying the working class less for their labour power than the value its labour power creates, capitalists are able to generate a profit. This profit is in the form of the "surplus value" which capitalists have appropriated from the wage labourers. It is the appearance of profit in the form of "surplus value" which forms the basis of the charge of exploitation which Marxists level at capitalism. According to the Marxist concept of exploitation adopted by Bedggood, British capitalism can only "syphon surplus value"⁶⁹ from wage labourers. Consequently, Bedggood is unable to show how British capitalism can transfer surplus value from colonial India or semi-colonial New Zealand as these non-capitalist forms of production do not create "surplus value". Therefore, Bedggood is unable to

⁶⁷ *ibid.*

⁶⁸ "...according to the law of value, under the capitalist mode of production wage labour produces the value of its own labour power plus the surplus value which becomes the source of all profits going to the capitalist and rent going to the landlord." See D. Bedggood, Rich and Poor in New Zealand: A Critique of Class, Politics and Ideology, p.60.

⁶⁹ *ibid.*, p.41.

explain his world wide system of "exploitative relations"⁷⁰ in terms of the Marxist notion of inter-class exploitation.

In order to resolve this anomaly, Bedggood retains the Marxian definition of capitalism as a mode of production while abandoning the idea that exploitation originates in production.⁷¹ Bedggood, like Wallerstein, concludes that the key to exploitation is located in the exchange of commodities which occurs within the capitalist world economy. As a result, Bedggood claims that it is not the way in which a commodity is produced but the price at which it is sold which lies at the heart of exploitation on a world scale. He writes, "what is important in the 'growing of raw material for the mother country' is its price and not how it is produced."⁷² Therefore, the price at which a commodity exchanges, rather than the methods used to produce it, is the fundamental determinant of Bedggood's theory of international exploitation. With "surplus value" expressed in terms of price Bedggood sets out to show how surplus value is transferred within the modern world system.

Bedggood's theory of international exploitation explains that surplus value is transferred between countries via an "unequal exchange of value".⁷³ Bedggood's model of

⁷⁰ *ibid.*

⁷¹ For a more complete discussion of the implications of capitalism defined as a mode of exchange see section (1.1) above.

⁷² D. Bedggood, Rich and Poor in New Zealand: A Critique of Class, Politics and Ideology, p.34.

⁷³ *ibid.*, p.38.

unequal exchange, like Wallerstein's, argues that prices diverge from values in a way which enables one trading partner to receive more value in exchange for less. One branch of this world-wide system of unequal exchange involved New Zealand's export of primary products to Britain. With regard to New Zealand's position within this "chain of exploitative relations" it is important to note that the nature of New Zealand's agricultural production allows the "semi-colony" to function as both the exploiter and the exploited. The cost competitiveness of New Zealand agriculture enables the New Zealand farmer to reap "excess profits"⁷⁴ while the supply of "cheap foodstuffs" and wool enhances the profitability of enterprises in Britain. Although surplus flows both ways, Bedggood specifically cites the case where an "unequal exchange" of value resulted in the New Zealand agricultural producer being able to reap "excess profits" by receiving more value in exchange for less.

Bedggood argues that the ability of Britain's agricultural sector to compete with New Zealand was hindered by her "less productive land"⁷⁵ and the use of wage labour. Consequently, New Zealand was able to land wool, dairy and frozen meat in Britain at a cost which was lower than that required to produce equivalent commodities in Britain. As long as demand exceeded supply⁷⁶ the New Zealand producer was

⁷⁴ *ibid.*, p.36.

⁷⁵ *ibid.*

⁷⁶ *ibid.*

able to sell identical agricultural commodities at the same price as his British counterpart. As his "costs of production are the most competitive" the New Zealand farmer was able to enjoy "excess profits".⁷⁷ In other words, New Zealand agriculture received a price for the commodities it exported to Britain which reflected costs of production which were in excess of the actual costs of production. In effect, New Zealand benefitted from this unequal exchange of value by receiving more value in exchange for less. In the same way as the capitalist appropriated value which he did not create, New Zealand's agricultural producers receive value which they did not create.

It is noteworthy that Bedggood's explanation of "unequal exchange" does not point to any empirical evidence which shows that the costs of producing agricultural commodities were lower in New Zealand than Britain. His explanation is simply based on two assumptions which are presented in such a way that the second actually invalidates the first. The first assumption is couched in the form of a "hypothetical example"⁷⁸ drawn from the problematic labour theory of value.⁷⁹ This argues that values depart from prices in a way which enables New Zealand to receive more value in

⁷⁷ *ibid.*

⁷⁸ *ibid.*

⁷⁹ For an introductory discussion of the use of the labour theory of value as an explanation for "unequal exchange" see section (1.3) above. The most coherent version of the labour theory of value is used by Rob Steven to justify his claim that New Zealand benefitted from "unequal exchange". My critique of this is found in section (3.3) below.

exchange for less. The second assumption claims that the natural advantages furnished by "founders' rent", a "petty commodity mode of production" and "state subsidies" enabled New Zealand agriculture to be more cost competitive than British agriculture. By explaining "unequal exchange" in terms of costs and prices, this second assumption undermines the first by rendering the concept of value redundant. Consequently, this critique of Bedggood's theory of "unequal exchange" will focus on his explanation for the low cost of agricultural production in New Zealand.

The most obvious criticism of this explanation is posed by the large influx of British capital into New Zealand. The greater profitability of New Zealand agriculture would eventually be whittled down as capital in search of "excess profits" closed marginal farms in Britain and opened up ever more marginal farms in the colony. Bedggood attempts to quash this criticism by claiming that this flow of capital required to equalize the rate of profit in New Zealand was blocked. New Zealand agriculture, therefore, continued to reap "excess profits" because it was able to "monopolize agricultural production" in order to circumvent this tendency of the rate of profit to equalize.⁸⁰ The substance of Bedggood's argument that New Zealand presented such monopolistic restrictions is located in the provision of state subsidies:

⁸⁰ D. Bedggood, Rich and Poor in New Zealand: A Critique of Class, Ideology and Politics, p.36.

...while state intervention breaks the monopoly control of the comprador class over the peasant family mode in subsidising the costs of agricultural production, this only modifies the basic pattern of unequal exchange, it does not reverse it.⁸¹

Once again, Bedggood is simply wrong. State subsidies, such as those provided by the 1894 Advances to Settlers Act, actually sought to break up rather than reinforce any monopoly which existed in New Zealand agriculture. While cheap credits benefitted well established farmers, these state subsidies also allowed British immigrants to establish farms in New Zealand.⁸² Contrary to Bedggood's claim, state subsidies made New Zealand agriculture less rather than more prone to monopolistic restrictions which form the basis of his theory of unequal exchange.

This critique shows that Bedggood is wrong about several key points concerning New Zealand's semi-colonial development. Firstly, New Zealand did not develop as a "highly efficient primary producer" as a result of alleged advantages derived from "founders' rent" and the "petty commodity mode of production". Secondly, my rejection of Bedggood's theory of "unequal exchange" undermines the validity of the theoretical edifice of his modern world system. Therefore, it is doubtful whether New Zealand developed as a semi-colonial state as a result of her

⁸¹ D. Bedggood and J. Macrae, "The Development of Capitalism in New Zealand: Towards a Marxian Analysis", Red Papers, Marxist Publishing Group, 177, p.124.

⁸² Len Richardson, "Parties and Political Change", Oxford History of New Zealand, Oxford University Press, 1987, p.204.

function within Bedggood's "chain of exploitative relations". The final section will examine Bedggood's explanation of specific episodes in New Zealand history. Again we will find, that explanations for the annexation and subsequent colonization of New Zealand cannot be made with sole reference to the purported needs of British capitalism.

(2.3) British Capitalism and the Annexation of New Zealand.

Non-Marxist accounts of Britain's annexation of New Zealand in 1840 begin by examining the "motives" of the different groups involved. They assess the role played by groups such as the missionaries, the settlers and the Colonial Office in order to understand the annexation of New Zealand. In a complete departure from this orthodoxy, Bedggood maintains that annexation can only be understood with reference to the needs of British capitalism:

The orthodox concern to explain the act of annexation by means of a minute examination of the motives of those concerned, whether missionaries, the Colonial Office or white settlers, begs the question of economic determinism in the last instance.⁸³

The work of non-Marxist historians all concur that fundamental differences existed between these various groups prior to annexation. The missionaries wished to protect the Maori from the ravages of European colonization. The secretary of the Church Missionary Society, Dandeson Coates,

⁸³ D. Bedggood, "New Zealand's Semi-Colonial Development: A Marxist View", p.286.

was opposed to colonization and wanted New Zealand to remain a Maori territory under the protection of the British state. In opposition to these goals stood Edward Gibbon Wakefield, the principal advocate of the would-be colonists. Wakefield wished to colonize New Zealand without cost to the British state by selling land at a "sufficient price". The Colonial Office stood uneasily between the conflicting aspirations of the missionaries and the colonists. Although reluctant to become embroiled, the Colonial Office recognized the need to address the problems of lawlessness in New Zealand.⁸⁴

In opposition to this historiography, Bedggood maintains that any explanation which focuses on the differences which existed between the various antagonists fails to understand the true nature of the annexation of New Zealand. Bedggood argues that the antagonisms which divided the missionaries, colonists and the Colonial Office only served to disguise the more fundamental goals they all shared. These common goals were all based on the "class interests" which ultimately served the ends of the British "imperialist state":

Once we have established that the dominant class interests of white settlers were not in contradiction to the imperialist state, the highly over-rated role of the missionaries and humanitarians becomes clear.⁸⁵

This alleged community of "interests" leads Bedggood to conclude that all "white settlers" were simply "agents of

⁸⁴ K. Sinclair, A History of New Zealand, Penguin books, 1980, pp.63-5.

⁸⁵ D. Bedggood, "New Zealand's Semi-Colonial Development: A Marxist View", p.287.

the capitalist mode of production" acting "in the interests of the industrial bourgeoisie".⁸⁶ My objection to Bedggood's argument is founded upon his reluctance to actually show how these "bourgeois agents"⁸⁷ were able to bring about the annexation of New Zealand. Quite simply, the desire of bourgeois agents for annexation does not prove that annexation occurred as a result of these forces. This erroneous type of causal explanation is also apparent in Bedggood's account of the colonization of New Zealand. His explanation does little more than claim that the annexation and subsequent colonization of New Zealand suited the purposes of British capitalism searching for land, labour and raw materials:

The purpose of the colonization of New Zealand could hardly be more clear: a part of the universal expansion of the capitalist mode of production in an attempt to find new sources of land, raw materials and labour power.⁸⁸

By claiming that the annexation of New Zealand accommodated the alleged needs of British capitalism, Bedggood is not justified to conclude that New Zealand was annexed in order to fulfil those needs. Furthermore, I will show how New Zealand's minimal capacity to act as a source of land and raw materials effectively invalidates Bedggood's explanation for the annexation and subsequent colonization of New Zealand.

⁸⁶ *ibid.*, pp.286-7.

⁸⁷ *ibid.*

⁸⁸ D. Bedggood, Rich and Poor in New Zealand: A Critique of Class, Politics and Ideology, p.21.

Although the British colonies of Australia and New Zealand acted as raw material producers for the imperial centre, there is nothing to suggest that New Zealand was annexed in order to fulfil this role. Even if we compare New Zealand's raw material production with that of Australia, let alone the British empire, the minimal role played by New Zealand's raw materials becomes apparent. A leading non-Marxist historian of New Zealand's annexation concluded that while New Zealand was a second rank trading partner with the British colonies in Australia, "to Britain itself, the economic importance of New Zealand was very small indeed."⁸⁹

In an effort to present Bedggood's argument in the best possible light, I have ignored the years prior to 1861 as a confirmation of the minimal role played by New Zealand as a source of raw materials. Prior to the discovery of gold in 1861 New Zealand's role as a supplier of raw materials was negligible in view of the fact that the value of her exports in 1860 accounted for 3.5% of the Australian total.⁹⁰ As a result of the discovery of gold the value of New Zealand's exports increased by a massive 57% between 1860 and 1861.⁹¹

⁸⁹ P. Adams, Fatal Necessity: British Intervention in New Zealand 1830-1847, Auckland University Press, 1977, p.168.

⁹⁰ New Zealand's export receipts totalled £589,000 in 1860. M.F. Lloyd Prichard, An Economic History of New Zealand to 1939, Collins, 1970, p.81. Australia's export receipts totalled £17,400,000 in 1861. A. Lougheed, "International Transaction and foreign Commerce", Wray Vamplew, Australians: Historical Statistics, 1987, p.188.

⁹¹ New Zealand's export receipts jumped from £589,000 in 1860 to £1,372,000 in 1861. See: M.F. Lloyd Prichard, An Economic History of New Zealand to 1939, p.81.

With such dramatic improvements, New Zealand's export receipts accounted for 8% of the Australian total. By 1861, two commodities virtually accounted for New Zealand's total export revenue with gold making up 55% and wool 38% of the colony's export receipts.⁹² Australia still dominated the production of these commodities, however, with New Zealand wool and gold output being equivalent to 11% and 9% of total Australian production.⁹³ In short, New Zealand produced little that Britain could not obtain somewhere else and in much greater quantities. If we place the value of New Zealand's exports in the context of the value of British imports the picture becomes even clearer with New Zealand accounting for a minute 0.5% of the total in 1861.⁹⁴ It would appear that the monetary value of the New Zealand economy, both before and after the discovery of gold, provide little incentive for British capitalism to bring about the annexation of New Zealand.

Bedggood argues that British capitalism's need for land stemmed from two different yet complementary requirements. Britain's need to rid herself of her "vast surplus

⁹² M.F. Lloyd Prichard, An Economic History of New Zealand to 1939, p.81.

⁹³ New Zealand exported £524,000 of wool and £753,000 of gold in 1861. See: M.F. Lloyd Prichard, An Economic History of New Zealand to 1939, p.81. Australia exported £4,700,000 of wool and £8,500,000 of gold in 1861. See: A. Lougheed, "International Transactions and Foreign Commerce", p.188.

⁹⁴ The value of British imports from all sources stood at £270,000,000 in 1861. C.J. Fuchs, The Trade Policy of Great Britain and Her Colonies Since 1860, London, 1905, p.398.

population"⁹⁵ fitted in neatly with the requirement of recently established colonies for more labour. By annexing New Zealand and introducing capitalism there, a demand for labour would be created which would conveniently provide Britain with an outlet for her "surplus population". The trick, as Marx saw it, was to kill these two birds with one stone. Bedggood agrees and views the assisted immigration schemes as being:

...deliberately promoted by capitalists concerned about the growing threat of political rebellion in Britain and eager for wage labour to exploit in the colonies.⁹⁶

For many centuries the existence of a large number of paupers had alarmed the ruling classes of Europe. The 1830's were to prove no exception with some members of the British elite viewing the existence of widespread poverty with some trepidation.⁹⁷ The seemingly inescapable poverty of many Britons was exacerbated by the huge population growth of the period. Indeed, the population of England and Wales doubled between 1750 and 1830.⁹⁸ These twin pressures of population and poverty led huge numbers to leave the British Isles in search of a better life. This exodus was greeted with relief by those who saw this supposedly excess population as a threat to the political stability of Britain. The simple

⁹⁵ D. Bedggood, Rich and Poor in New Zealand: A Critique of Class, Politics and Ideology, p.20.

⁹⁶ *ibid.*, p.21.

⁹⁷ E.H. Hunt, British Labour History, London, 1981, p.150.

⁹⁸ J.S. Marais, The Colonization of New Zealand, Oxford university Press, 1927, p.1.

existence of mass emigration, however, is not compelling evidence that New Zealand was annexed in order to provide land which enabled British capitalism to simultaneously rid itself of surplus population and supply labour for the colony. Furthermore, Bedggood's argument that New Zealand was annexed in 1840 as a means of financing the requirements of British capitalism at home and in the colonies also founders on the facts. If we look at British emigration during this period we will be struck by the inability of New Zealand to act as a dumping ground for Britain's "vast surplus population".

According to Bedggood's figures, between 1815 and 1859: "over five million people left Britain for other parts of the world".⁹⁹ The deliberately vague nature of Bedggood's empirical evidence (he only compares British emigration with the number of those bound for Australia and New Zealand) seems to point to the inadequacy of his argument. A decade after annexation New Zealand was home to a paltry 26,707¹⁰⁰ British settlers or 12% of the Australasian total.¹⁰¹ When viewed in the context of total emigration from Britain, New Zealand was the preferred destination by 1851 for less than

⁹⁹ D. Bedggood, Rich and Poor in New Zealand: A Critique of Class, Politics and Ideology, p.21.

¹⁰⁰ *ibid.*

¹⁰¹ Between 1825 and 1851, 222,955 British migrants had arrived in the Australian and New Zealand colonies. C.M.H. Clark, Select Documents in Australian History, p.214.

1%!¹⁰² Even if Britain was involved in a deliberate policy to rid itself of surplus population, the reasons for annexing New Zealand in 1840 to further this aim were somewhat abstruse. Quite simply, compared with total British emigration the usefulness of New Zealand as a dumping ground for Britain's allegedly surplus population was negligible.

Although Wakefield's assisted immigration schemes brought settlers to New Zealand, the gold rushes of the 1860's and 70's showed that the real attraction of New Zealand to immigrants was the prospect of instant wealth. In other words, large scale immigration only came about when New Zealand acted as a sufficient magnet and not as the result of Britain's need to rid herself of "surplus population". In 1851 Otago had 1,776 inhabitants, or just under 7% of New Zealand's total European population. That figure had exploded to 27,168 by 1861 which boosted Otago's share of the total to 27.7%.¹⁰³ While Otago's share remained static its population still stood at a respectable 60,722 by 1871.¹⁰⁴ The inevitable conclusion is that massive immigration was driven by the gold rushes in Otago and Westland and not by the export of a "vast surplus population".

As a further test of Bedggood's argument that New

¹⁰² From 1825 to 1851 total emigration from the U.K. stood at 2,901,999. See: C.M.H. Clark, Select Documents in Australian History, p.221.

¹⁰³ J. Graham, "Settler Society", Oxford History of New Zealand, Oxford university Press, 1987, p.117.

¹⁰⁴ *ibid.*

Zealand served as a dumping ground for Britain's surplus population we will examine the relationship between the urgency of population pressure and the levels of British migration to New Zealand. As Bedggood stresses the role of 'push' factors such as poverty and unemployment, we would expect to find that patterns of immigration to New Zealand would reflect fluctuations in the living standard of Britain's working class. In other words, a falling standard of living should be reflected in larger numbers emigrating to New Zealand and vice versa.

The decade after annexation saw relatively few Britons emigrate to New Zealand. By the time the companies and associations which practised assisted immigration went out of existence in 1854 they had managed to bring only 15,612 immigrants to New Zealand.¹⁰⁵ This period, however, was one of exceptional hardship in Britain with some estimates putting one third of all working people out of work.¹⁰⁶ The poverty and social unrest of the "hungry forties" provided a dramatic contrast to the relative prosperity and calm of the 1870's. Although marked by severe fluctuations, unemployment averaged just 3.8% over the period 1870 to 1879.¹⁰⁷ A further indication of better times is shown by the percentage of the population receiving indoor and outdoor relief under the

¹⁰⁵ K. Sinclair, A History of New Zealand, Penguin books, 1980, p.99.

¹⁰⁶ J.F.C. Harrison, The Early Victorians 1832-51, Panther books, 1973, p.73.

¹⁰⁷ G. Best, Mid-Victorian Britain 1851-75, Panther books, 1973, p.148.

meagre provisions of the Poor Laws. This figure fell from a high of 19% in 1849 to a low of 9% in 1879.¹⁰⁸ Contrary to Bedggood's expectations, British prosperity during the 1870's was matched by exceptionally high levels of British immigration to New Zealand. During this decade assisted immigration schemes operated by the New Zealand government brought a further 115,000 settlers to the colony.¹⁰⁹ In a striking reversal of Bedggood's argument, large numbers of British migrants arrived in New Zealand during periods of relative prosperity in Britain. Similarly, the 'push' factors of poverty and unemployment did not force large numbers of Britons to emigrate to New Zealand. As we have already seen, 'pull' factors such as the goldrushes had a far more significant impact on immigration to New Zealand. Quite simply, an explanation of annexation based on New Zealand's role as a dumping ground for surplus population fails to match the patterns of immigration.

Bedggood's argument fails on both counts. New Zealand could not have possibly been annexed in order to act as a dumping ground for surplus population as it absorbed such an insignificant amount of total British emigration. Furthermore, the huge influx of British emigrants into New Zealand during the 1860's cannot be counted as "surplus population" from the slums of industrial Britain but as men lured by the promise of gold, many of them coming from the

¹⁰⁸ *ibid.*, p.167.

¹⁰⁹ W.H. Oliver, The Story of New Zealand, London, 1960, p.120.

Australian goldfields. During the first three years of the goldrush the number of Australian immigrants arriving in New Zealand substantially outnumbered those coming from Britain. Indeed, between 1861 and 1863, 74,919 immigrants arrived from Australia compared with 27,072 from Britain.¹¹⁰

Bedggood has noted that New Zealand became part of the British empire in 1840. He has then incorrectly concluded that this was done in order to fulfil the alleged economic needs of the colonizing power. Bedggood's reading of history in reverse has led him to make a fundamental error regarding the connection between the needs of British capitalism and the annexation of New Zealand. The point is that Britain did not want, let alone require another settler colony, but that given the course of events she decided to make the most of a bad situation and annex the whole of New Zealand in 1840. The annexation and subsequent sale of Maori land in order to sponsor immigration is not conclusive proof that New Zealand was annexed in accordance with the needs of British capitalism. Assisted immigration was instituted in order that Britain could discharge her reluctant participation in the colonization business as cheaply as possible. This is a more plausible explanation when we consider the financial fiasco of the South Australian colonies a decade earlier.¹¹¹

Reluctant to repeat earlier failures:

¹¹⁰ These figures are compiled from the immigration statistics in M.F. Lloyd Prichard, An Economic History of New Zealand to 1939, p.98.

¹¹¹ P. Adams, Fatal Necessity: British Intervention in new Zealand 1830-1947, p.150.

The fact that Hobson's instructions included specific directions on the creation of a land fund for financing organized colonization under government auspices suggests that the Colonial Office recognized that Britain might as well make the best of a reluctant bargain.¹¹²

Bedggood's assumption that the colonies played a crucial role in the continued growth and development of British capitalism is unfounded. We have already seen how the development of capitalism was based largely on indigenous resources, capital and markets.¹¹³ Furthermore, Bedggood fails to show how annexation acts as a vindication of his thesis that the development of New Zealand was "determined in the last instance"¹¹⁴ by the needs of British capitalism. This explanation proposes that a correlation existed between the needs of British capitalism for land and raw materials and the ability of New Zealand to provide them. In the absence of convincing causal mechanisms linking these needs with annexation it appears that Bedggood's analysis relies upon correlations masquerading as causes. Even if this were not the case, I have shown how New Zealand was incapable of fulfilling all but a tiny proportion of the alleged needs of British capitalism.

Overall, Bedggood's explanation for the development of New Zealand is an excellent example of how the world systems approach of Wallerstein cannot credibly explain New Zealand history. The next chapter looks at Rob Steven's greatly

¹¹² *ibid.*, p.170.

¹¹³ See section (1.2) above.

¹¹⁴ D. Bedggood, Rich and Poor in New Zealand: A Critique of Class, Politics and Ideology, p.44.

improved attempt to account for New Zealand's development by referring to the operation of capitalism on a global scale.

**Chapter Three: STEVEN AND SETTLER CAPITALISM IN NEW
ZEALAND.**

(3.1) The Case of Settler Capitalism.

Rob Steven attempts to explain the development of New Zealand by referring to the imperatives of "world imperialism".¹ Consequently, as countries like New Zealand were sucked into the ever expanding orbit of global capitalism their development was determined by the needs of imperialism. Just as Bedggood hopes to explain New Zealand history by referring to the imperatives of the modern world system Steven's overriding ambition is to develop a "comprehensive theory of imperialism and an analysis of New Zealand's role in world imperialism."² Both Bedggood and Steven assume that the fundamental forces which shape New Zealand's development lie in the imperatives of imperialist expansion which saw New Zealand swallowed up by the British empire. Rather than examine New Zealand history from the inside as it were, both Bedggood and Steven choose to view it in terms of the larger forces which surround it. A research agenda of this kind must pose two questions. The first wishes to discover the imperatives of imperialism while the second involves an analysis of the role New

¹ R. Steven, "Towards a Marxian Theory of Terms of Trade in New Zealand", Red Papers, Marxist Publishing Group, 1978-79., p.46.

² R. Steven, "Towards a Marxian Theory of Terms of Trade", p.46.

Zealand plays within this imperialist system. Once answers to these questions have been found this type of research agenda claims that the true nature of New Zealand history will reveal itself. The substantial differences which distinguish Steven from Bedggood are to be found in the differing answers both find to these two questions. Neither scholar questions their implicit assumption: that the annexation, colonization and subsequent development of New Zealand is explained by New Zealand's role in "world imperialism".

In a rare convergence, Marxists and neo-Marxists agree that newly capitalist nations will act as a source of raw materials, among other things, for capitalist firms located in the imperial centre. This agreement is short-lived as both disagree about the impact this role will have on the development of newly capitalist nations. Marxists claim that the development which imperialism brings will eventually enable colonial subjects to attain the levels of development enjoyed by their imperial masters. Neo-Marxists in the mould of Wallerstein and Bedggood argue that imperialism brings permanent non-development and semi-colonial development to newly capitalist nations. While Marxists portray imperialism as essentially progressive, even though it exploits, Wallerstein and Bedggood argue that imperialism exploits absolutely.

Although a neo-Marxist, Steven is dissatisfied with the current state of the debate regarding the impact of imperialism on the development of newly capitalist nations.

Steven points out that the development of New Zealand appears to elude the normal workings of these theories of imperialism:

A paradox immediately springs to mind ... how could workers in newly and therefore backwardly capitalist New Zealand receive such relatively high wages and conditions that the colony could be described as "glorious country for a labouring man".³

Wallerstein's response to the "paradox" of New Zealand was to superimpose the semi-periphery on his bi-polar model of development in order to remove such difficult cases.

Bedggood misses the point entirely and accounts for the development of New Zealand in terms of a neo-Marxist theory of imperialism. Steven, on the other hand, wishes to explain the "paradox" of New Zealand by revising the neo-Marxist theory of imperialism. Essentially, Steven postulates the existence of "settler capitalism"⁴ in order to show that Marxist theories of imperialism are not rebutted by the seemingly "paradoxical" nature of New Zealand's development. He argues that New Zealand belonged to a group of "settler capitalist" states whose development differed from that of other newly capitalist states.

Steven's theory of "world imperialism" claims that the different types of development experienced by colonies like India and New Zealand are explained by the different function each performs within the British empire. This analysis of "world imperialism" begins by describing how the

³ R. Steven, "A Glorious Country for a Labouring Man", Race, Gender, Class, vol.1., No.1., 1985, p.44.

⁴ *ibid.*

most common imperatives which drove imperialism were those based on the needs of capitalist firms located in the imperial centre for cheap raw materials and labour. Steven agrees that the needs of British capitalism for cheap raw materials and labour form the principle explanation for the expansion of the British empire into countries like India or Malaya. Both were "an extractive (e.g. raw materials) colony which would return many times over whatever costs might have been incurred in getting it".⁵

Most importantly, this logic of imperialism did not apply when Britain added New Zealand to its colonial empire in 1840:

Aotearoa was to be a white settler colony, an outcome of classical imperialism which developed according to totally different laws from that of extractive or cheap labour colonies.⁶

Britain's desire to add New Zealand to her collection of "settler colonies" stemmed from the need of British capitalism to rid itself of a "surplus population" rather than its need for raw materials:

What British capitalism above all needed from what it called New Zealand, was a permanent open door to absorb its surplus population. It did not expect to receive a market, a source of food supply, or a cheap labour force to exploit.⁷

The annexation and subsequent colonization of New Zealand came about as a result of very different motives which

⁵ R. Steven, "Land and White Settler Colonialism: The Case of Aotearoa", D. Novitz and B. Willmott, Culture and Identity in New Zealand, G.P. books, 1989, p.24.

⁶ *ibid.*, p.25.

⁷ R. Steven, "A Glorious Country for a Labouring Man", p.43.

marked Britain's annexation and subsequent exploitation of her Indian and Malaysian colonies.

If a "settler colony" like New Zealand was to act as a sufficient magnet to draw this surplus population from home and family, it "must be maintained as a place which [was] considerably more attractive to poor people than the old one."⁸ Steven argues that Britain's surplus population chose to emigrate rather than stay as a result of New Zealand being a "glorious country for a labouring man". The very nature of "settler capitalism" made it

possible for underdeveloped capitalism, as Aotearoa was to become, to provide living and working conditions which were superior to those in more advanced capitalist Britain and which could therefore attract people from it.⁹

The existence of New Zealand as a "glorious country for a labouring man", however, was not simply the result of Britain's reluctance to exploit "settler colonies" in the same way as it exploited her Indian and Malaysian colonies.

Extending his assertion that New Zealand developed as a result of her role as an attractive destination for British immigrants, Steven argues that conditions existed within New Zealand which allowed it to become unusually affluent. This extraordinary feature allowed a newly capitalist nation like New Zealand to evade the "normal laws of capitalist development" and provide British immigrants with a standard of living which exceeded that of an advanced capitalist

⁸ *ibid.*

⁹ R. Steven, "Land and White Settler Colonialism: The Case of Aotearoa", p.25.

nation like Britain. In Steven's words, there was

something in the colony which would work against the normal laws of capitalist development and offer them [the settlers] conditions which surpassed even those of the most advanced capitalist society at the time.¹⁰

That something was the unusually high quality of New Zealand's agricultural land. This "vastly superior colonial land"¹¹ enabled New Zealand to draw "differential rent" which provided "settler capitalism" with a level of affluence not normally associated with newly capitalist countries:

The distinctive characteristic of settler capitalism is that the high quality of the land expropriated by the settlers drew in differential rent and permitted a working class standard of living that is normally (if at all) associated only with advanced capitalism.¹²

This phenomenon of "differential rent"¹³ enabled New Zealand to exploit Britain by obtaining some of the surplus produced by British workers:

Far from British capitalists exploiting the workers of its colony, a situation closer to the reverse occurred: capitalists in New Zealand received some of the surplus created by British workers, and the colony was enriched at the expense of the imperialist power!¹⁴

The familiar spectre of an exploitative world system is adopted by Steven who gives it a new twist. He claims that

¹⁰ *ibid.*, p.26.

¹¹ R. Steven, "A Glorious Country for a Labouring Man", p.45.

¹² *ibid.*, p.51.

¹³ Steven's use and misuse of this concept of "differential rent" will be discussed in greater detail in section (3.3) below.

¹⁴ *ibid.*, pp.49-50.

"differential rent" caused international trade to result in unequal exchange which allowed "settler capitalist" New Zealand to exploit "capitalist" Britain.

The reasons for New Zealand's development as "a glorious country for a labouring man" stem from its ability to exploit Britain and the reluctance of Britain to exploit New Zealand. The cogency of Steven's explanation rests upon the validity of "differential rent" and New Zealand's function as an outlet for surplus population. As we have seen, the origins of this explanation are found in Steven's desire to show how New Zealand developed as a result of her role in "world imperialism". New Zealand's function as a "settler colony" allowed her to escape the normal fate mapped out for colonies by imperialism, and develop as a "glorious country for a labouring man". In order to sustain this explanation, Steven makes two crucial errors with regards to New Zealand history. The first involves his incorrect account for the annexation of New Zealand. The second involves his inability to show how New Zealand managed to exploit Britain.

(3.2) The Annexation of New Zealand.

Steven's explanation for Britain's annexation of New Zealand is rather different from Bedggood's in its intent. Steven's theory of "settler capitalism"¹⁵ precludes him from arguing as Bedggood does that New Zealand was annexed in order to provide British capitalism with a source of raw materials. Rather than provide cheap raw materials for imperial Britain, settler colonies were annexed in order to provide an outlet for Britain's "surplus population":

The only possible benefit which the Empire could derive from the annexation of Aotearoa was a free outlet for Britain's surplus population.¹⁶

Steven's departure from Bedggood is based upon his overall contention that Britain annexed New Zealand in order to "add" to her collection of "settler colonies".¹⁷

Steven argues that Britain's need for settler colonies arose from the inability of "voluntary immigration"¹⁸ to the United States and Canada to provide a sufficient outlet for her surplus population. Steven justifies this assumption by showing how the extent of emigration, which he notes

¹⁵ R. Steven, "A Glorious Country for a Labouring Man", p.44.

¹⁶ R. Steven, "Land and White Settler Colonialism: The Case of Aotearoa", p.23.

¹⁷ R. Steven, "A Glorious Country for a Labouring Man", p.43.

¹⁸ *ibid.*, p.42.

"reached 100,000"¹⁹ by 1832, was still not sufficient to remove all the paupers which constituted Britain's surplus population. He then alleges that the cheaper cost of a passage across the Atlantic compared with that to the south Pacific precluded Australia from acting as a viable destination for Britain's "poor and unemployed"²⁰. This cost disadvantage also precluded New Zealand from acting as an outlet for surplus population. Steven argues, however, that the "discovery"²¹ of assisted immigration in Australia in 1831 effectively removed this barrier and paved the way for the annexation of New Zealand soon after in 1840. Annexation allowed the British crown and its agents, the land companies, to resell Maori land at an inflated or "sufficient price". The profits derived from the sale of land were then used to subsidize or "assist" the emigration of surplus population from Britain to New Zealand. The land obtained through annexation was, therefore, the linchpin of Britain's strategy to rid herself of surplus population by incorporating a "settler colony"²² such as New Zealand into her empire.

It appears that Steven's explanation for annexation is

¹⁹ *ibid.* This is a rather selective choice of statistics as 1832 was an exceptional year with 103,140 migrants leaving the United Kingdom. This number fell back to a more normal level of 62,527 in the following year. See: C.M.H. Clark, Select Documents in Australian History, p.214.

²⁰ R. Steven, "Land and White Settler Colonialism: The Case of Aotearoa", p.22.

²¹ *ibid.*, p.23.

²² R. Steven, "A Glorious Country for a Labouring Man", p.43.

predicated on New Zealand's dual role as a source of land and as a dumping ground for surplus population. This explanation of events in 1840 is dubious, as it is based on assumptions incompatible with the historical record. I will show how the patterns of British emigration to New Zealand are not explicable by referring to Britain's exercise of direct rule in New Zealand.

A decade after New Zealand was supposedly annexed in order to provide an additional outlet for Britain's surplus population, an overwhelming majority still chose "voluntary immigration" to the United States. During this period 63% of all those who emigrated from the United Kingdom arrived in the United States.²³ The continuing importance of the United States as an outlet for British migrants would appear to indicate that no connection exists between the exercise of British sovereignty and that country's ability to export its surplus population. This supposition is borne out when we find that emigration to New Zealand was at its lowest during the twelve years when the colony was directly administered by Britain. Consequently, Britain's acquisition of land through the annexation and direct administration of New Zealand did not enhance its ability to export surplus population.

In 1852, just twelve years after annexation, Britain relinquished the direct administration of New Zealand and

²³ Of the 1,775,635 migrants who left the United Kingdom between 1840 and 1850, 1,135,198 arrived in the United States. See: C.M.H. Clark, Select Documents in Australian History, p.214.

granted the colonists the right of responsible government.²⁴ During this period of direct British administration, the sale of land had assisted only a tiny proportion of Britain's surplus population to emigrate to New Zealand. By the time the companies and associations which had practised "assisted immigration" went out of existence in 1854 they had only managed to bring 15,612 immigrants to New Zealand.²⁵ Conversely, the capacity of assisted immigration schemes to export this allegedly surplus population to New Zealand was at its height during the 1870's. During this decade, the self governing colony instituted assisted immigration schemes which brought a further 115,000 settlers to New Zealand.²⁶ The existence of assisted immigration on this far more significant scale had nothing to do with Britain's need to export its surplus population and was simply the result of New Zealand's desire to expand its European population. Contrary to Steven's assertion, the historical record shows how a connection does not exist between the exercise of sovereignty and Britain's ability to relieve herself of surplus population.

Furthermore, if New Zealand was annexed to provide an outlet for surplus population, Steven must show that the motive which he ascribes to the annexers (namely the British

²⁴ R. Dalziel, "The Politics of Settlement", Oxford History of New Zealand, Oxford University Press, p.93.

²⁵ K. Sinclair, A History of New Zealand, Penguin books, 1980, p.99.

²⁶ W.H. Oliver, The Story of New Zealand, London, 1960, p.120.

government and the Colonial Office) was indeed held by them. Many politicians were aware of and indeed approved of Wakefield's theories of systematic colonization. Historical research indicates, however, that the Colonial Office was motivated by desires to protect the Maori population and impose law and order. Steven disregards this historiography by arguing that "imperialism already had a highly developed rationalizing ideology"²⁷. Humanitarian motives were, therefore, simply a smoke-screen which sought to disguise the real purpose behind annexation. It is plausible, however, that the aim of annexing New Zealand to relieve population pressure in Britain would have been well received, and would have made a "rationalizing ideology" unnecessary. Steven's argument is undermined by his inability to show that annexation for this purpose would have been regarded as a shabby rationale which had to be disguised by more acceptable aims.

The main point is clear, the patterns of immigration to New Zealand do not conform to the contours set by Steven's explanation of annexation. We have already seen how large scale immigration to New Zealand was brought about by the gold rushes of the 1860's and the desire of the colonists themselves to bring more Britons to New Zealand. The colonization of New Zealand was more dependent on these factors than on the recently "discovered" ability of Britain to export some of its surplus population to the south

²⁷ R. Steven, "Land and White Settler Colonialism: The Case of Aotearoa", p.24.

Pacific.²⁸ Overall, there seems to be little correlation between the colonization of New Zealand and Britain's need to annex "settler colonies" in order to gain an additional outlet for surplus population.

By invoking New Zealand's role as an outlet for surplus population Steven has adopted an extremely problematic aspect of Bedggood's explanation for annexation.²⁹ Despite this apparent similarity, Steven's account of annexation marks a considerable advance on Bedggood's. Steven has realized what Bedggood has not, that unless Britain's surplus population were transported as convicts, some form of carrot was necessary to entice the "poor and unemployed"³⁰ to emigrate to New Zealand. Consequently, Steven's theory of "settler capitalism" explains that New Zealand developed as "a glorious country for a labouring man"³¹ in order to act as a sufficient magnet to draw surplus population away from the little security they had known in Britain. He argues that Britain, rather than exploiting New Zealand, had to ensure that her latest "settler colony" be "maintained as a place

²⁸ "It was because of the discovery that if the crown sold land to prospective settlers, subsidized emigration would be possible without any cost to the British tax-paying class. The only possible benefit which the empire could derive from the annexation of Aotearoa was a free outlet for Britain's surplus population." See: R. Steven, "Land and White Settler Colonialism: The Case of Aotearoa", pp.23.

²⁹ For a more detailed discussion of Bedggood's account of the annexation of New Zealand see section (2.3) above.

³⁰ R. Steven, "Land and White Settler Colonialism: The Case of Aotearoa", p.22.

³¹ R. Steven, "A Glorious Country for a Labouring Man", p.44.

which is considerably more attractive to poor people than the old one".³² Although this represents an improvement on Bedggood's ill-conceived explanation of New Zealand's role as a dumping ground for surplus population, Steven is still unable to save this problematic explanation of annexation.

Steven claims that New Zealand developed as "a glorious country for a labouring man" on the basis of British benevolence and the ability of New Zealand to exploit Britain. Benevolence ensured that Britain intentionally pursued policies which ensured the well-being of the colonists:

...the task of the British state was not to make the colony's capitalist development serve the needs of accumulation in Britain...but to further the interests of the settlers.³³

New Zealand's ability to exploit Britain came about as the result of the "unequal exchange" which Steven maintains characterized international trade. Although this portrayal of international trade appears identical to that put forward by the exponents of "world-systems analysis", Steven's theory of unequal exchange alters the pattern of exploitation propounded by Wallerstein and Bedggood. Consequently, Steven argues that international trade allowed New Zealand to transfer wealth created in Britain to itself:

Trade therefore resulted in a net transfer of wealth from Britain to the colony, and not exploitation of the colony by imperialist powers

³² *ibid.*, p.43.

³³ *ibid.*, p.43.

as occurs in extractive or cheap labour colonies.³⁴

While I will show how Steven's argument on unequal exchange precludes his conclusion that New Zealand was "a glorious country for a labouring man",³⁵ I will examine his other claim that British benevolence was part of the reason for New Zealand's existence as a workers' utopia.

In order to support his theory of British benevolence, Steven claims that certain key episodes in New Zealand history appear to be the result of British policy which intended to further the interests of the settlers. One episode refers to the colony being granted "responsible government" in 1852 while the other refers to the provision of British troops in the Anglo-Maori wars of the 1860's.

Jumping enthusiastically into the perilous waters of counterfactual history, Steven claims that if it were not for British benevolence then the achievement of "self government would have required some kind of revolutionary struggle".³⁶ While Steven may be able to show that "independence" was "handed over on a plate",³⁷ he is not justified to assume that had this not happened some kind of revolutionary struggle would have ensued. This kind of 'what if' scenario, although interesting, does not form the basis

³⁴ R. Steven, "Land and White Settler Colonialism: The Case of Aotearoa", p.28.

³⁵ See section (3.3) below.

³⁶ R. Steven, "Land and White Settler Colonialism: The Case of Aotearoa", p.27.

³⁷ R. Steven, "A Glorious Country for a Labouring Man", p.43.

of sound historical explanation.³⁸ Furthermore, by referring to "responsible government" as "self government", Steven is exposing his weakness as a constitutional historian.

Steven highlights another episode which he claims reinforces his theory that Britain acted benevolently towards the settlers: The participation of British troops in the Anglo-Maori wars. He argues that this costly military action was undertaken in order to "secure Maori land for present and future immigrants".³⁹ The benevolence adduced from this episode is not as clear cut as Steven makes out. The hasty withdrawal of British troops left many settlers wondering whether the British government looked favourably upon their cause. Indeed, subsequent debate in the New Zealand parliament was punctuated by the distaste which many members expressed for what they felt was the overly hasty withdrawal of the eighteenth regiment.⁴⁰

A more fundamental objection concerns Steven's assumption that imperial troops were deployed in order to satiate the land hunger of the settlers. A cursory examination of the invasion of the Waikato would appear to offer some plausibility to Steven's claim. The fertile lands of the Waikato tribes were confiscated while the less

³⁸ For a discussion of the perils of "counterfactual history" and the "fallacy of fictional questions" see D.H. Fischer, Historians' Fallacies, Routledge and Kegan Paul, 1971.

³⁹ R. Steven, "A Glorious Country for a Labouring Man", p.43.

⁴⁰ See the long running debate on the "Conduct of the Imperial Government" in New Zealand Parliamentary Debates, vols. 7,8., 1870.

attractive lands of the Ngatimaniapoto were left untouched. Hence, the true purpose behind the wars could be interpreted as an attempt to satiate the land hunger of the settlers.⁴¹ This unhappy coincidence was more the result of strategic considerations rather than a confirmation of the land hunger thesis. General Cameron's advance did not reach Ngatimaniapoto land on account of the difficulties it presented his troops. Rather than confiscate Maori land, it would appear that the most compelling reason for the 1863 invasion of the Waikato was the desire to crush the independent power of the Maoris. A leading historian on the topic argues that Anglo-Maori wars "must be explained as a complex social movement involving much more than land hunger."⁴²

Were Steven to resolve this contradiction regarding the role of land within his model of "settler capitalism", the validity of his explanation of annexation would also depend upon his ability to show that New Zealand was a "glorious country for a labouring man". Although New Zealand was in many respects a working man's utopia,⁴³ Steven assumes this was the product of British benevolence and New Zealand's

⁴¹ Alan Ward notes that the term "land wars" evolved in the context of explanations couched in these terms. A. Ward, "The Origins of the Anglo-Maori Wars: A Reconsideration", New Zealand Journal of History, vol.1., No.2., 1967, pp.148-9.

⁴² A. Ward, "The Origins of the Anglo-Maori Wars: A Reconsideration", New Zealand Journal of History, vol.1., No.2., 1967, p.170.

⁴³ M. Fairburn, The Ideal Society and its Enemies, Auckland University Press, 1989.

ability to exploit Britain. This assumption precludes definitive conclusion. The following section will show how the assumption that New Zealand exploited Britain is based on a theory of international trade which is clearly false. Unable to prove that New Zealand was a "glorious country for a labouring man", Steven's explanation of annexation and the theoretical edifice of "settler capitalism" are left in tatters.

(3.3) A Glorious Country for a Labouring Man.

The vision of New Zealand as a working man's paradise was so widely held among the settlers that it has become part of the mythology which pervades any account of the colonial past. Any assessment of the content or validity of this mythology is beyond the scope of this discussion and is dealt with with greater rigour elsewhere.⁴⁴ The focus of this discussion concentrates on the validity of Steven's explanation of New Zealand's development as a "glorious country for a labouring man". He argues that New Zealand's development as a working man's paradise is partially explained by Britain's need to rid itself of "surplus population"⁴⁵. In its capacity as a dumping ground for Britain's poor and unemployed, the newest "settler colony"⁴⁶

⁴⁴ A recent and perceptive discussion of this mythology is found in: M. Fairburn, The Ideal Society and its Enemies.

⁴⁵ R. Steven, "A Glorious Country for a Labouring Man", p.43.

⁴⁶ *ibid.*

was spared the exploitation usually meted out to British colonies. This non-exploitation only forms part of Steven's explanation of New Zealand's development however. In a profound reversal of the normal patterns of imperialism, Steven argues that New Zealand was able to exploit imperialist Britain. Consequently, a large measure of the colony's affluence did not result from the creation of wealth and opportunities in New Zealand but through the successful expropriation of the "surplus created by British workers".⁴⁷ While this turns the "world-systems analysis" of Wallerstein on its head, Steven's account is still couched in the familiar terms of an exploitative world economy which transfers surplus from one country to another.

Regardless of which country benefits from exploitation, Wallerstein, Bedggood and Steven all agree that "unequal exchange" is the principal mechanism which enables certain countries to exploit others. Unequal exchange occurs when prices depart from values so that one trading partner receives more value than another for commodities which exchange at the same price. Reaffirming this claim, Steven writes

Unequal exchange refers to the process by which commodities embodying different quantities of social labour [value] are exchanged at uniform prices.⁴⁸

Put simply, the very act of exchanging commodities results in exploitation.

⁴⁷ *ibid.*, p.50.

⁴⁸ R. Steven, "Towards a Class Analysis of New Zealand", p.116.

As we have already rejected accounts of exploitation put forward by Wallerstein and Bedggood, an examination of Steven's theory of unequal exchange may seem a needless repetition. Such an examination is useful, however, as any attempt to improve the theories of unequal exchange advanced by Wallerstein and Bedggood must proceed along the lines of Steven's more rigorous formulation. Consequently, any hopes of saving the arguments of Wallerstein and Bedggood rest on the validity of Steven's theory of unequal exchange.

More importantly, this discussion will show us how the theories of value and price derived from Marxist economics do not constitute a valid basis for any coherent theory of exploitation. The following discussion is, therefore, an emphatic rejection of the models of surplus transfer which constitute the basis of neo-Marxist theories of economic development.

It is important to note that Marxist economics is unique among economic theories for insisting that commodities within a capitalist system can be simultaneously analyzed in terms of value and price.⁴⁹ Therefore, any discussion of unequal exchange which is formulated in terms of a difference between value and price is necessarily locked into Marxist economics. The following discussion will examine and reject the Marxist treatment of value and price which lies at the heart of Steven's notion of unequal exchange.

⁴⁹ M. Blaug, A Methodological Appraisal of Marxian Economics, North-Holland, 1980, p.5.

If we examine a simple model of commodity exchange we find that the ratio at which one commodity is exchanged for another varies in accordance with the actual commodities being exchanged. For example, one fish may exchange for three oranges or four apples. In exchange therefore, the worth of a commodity is a relative magnitude. Marxists claim that beneath the relative world of exchange lies an absolute measurement of a commodity's worth. This absolute measure of worth is known as a commodity's "value" which Marxists claim is determined by the amount of labour time required to produce that commodity under standard conditions of production. It is, therefore, possible to think of the worth of a commodity as existing simultaneously on two levels. The relative measure of a commodity's worth is determined by the price for which it is sold. The absolute measure of a commodity's worth is determined by its value, that is, the socially necessary labour time required to produce it.⁵⁰

An analysis of the value of a commodity is inextricably linked to the production of that commodity. The process of production involves using up other commodities such as raw materials, machinery and labour. Of all the commodities used in production, labour is the only one which is seen as capable of adding value to the other factors of production. It is this allegedly unique ability of labour to create value which lies at the heart of the Marxist explanation of profit. The value magnitude of profit is the difference

⁵⁰ The term "socially necessary" refers to the average degree of skill, technology and intensity of labour prevalent in a particular society.

between the value of the product which workers produce and the value they receive as payment for their labour. Marxists refer to this difference as "surplus value". This analysis of the value magnitude of profit forms the basis of Steven's claim that "the **source** of the capitalist's profit is the surplus value produced by the working class".⁵¹

While Marxists claim that it is theoretically possible to determine the value magnitude of profit by referring to the production of a commodity, the actual profits which the capitalist receives are determined at the point of exchange. More importantly, the profit which capitalists in any particular industry or firm receive does not reflect "surplus value created by workers"⁵² in that industry or firm at the point of production. If the actual profit received by capitalists were wholly determined by the amount of surplus value produced by their own workers, then the most profitable industries would be those creating the most surplus value. Since labour is said to be the source of value, it also follows that the most labour intensive industries create the most value. It is precisely this point that Steven wishes to emphasize when he explains that

you would find that the more labour intensive industries with many workers contributing surplus value, such as clothing, would yield very high profit rates, while ones with relatively few workers and not so much surplus value, such as automated motor vehicle assemblies, would make very little profit. Speculators in the foreign exchange or gold markets, who hire no workers at

⁵¹ R. Steven, "Equal Pay for Work of Equal Value: Marxist Theory", p.48.

⁵² *ibid.*, p.49.

all, would make nothing at all.⁵³

Mindful of the profitability of equity markets, Steven concludes that the profit received by capitalists does not correspond to the surplus value produced by the workforce they employ.

Steven explains the disparity between the amount of surplus value produced in a particular industry and the actual profit received by that industry's capitalists by referring to the way in which values are transformed into prices. Before we look closely at this transformation it is important to identify the factors which set the price of commodities at levels which depart from their value. Steven maintains that prices are affected by the movement of capital from the least profitable to the most profitable areas of production. This movement of capital will result in an increased supply of high profit products which will reduce their price and hence their profitability. Conversely, the reduced supply of low profit products will raise their prices and profitability. This flow of capital will, therefore, result in an equilibrium rate of profit being established for all producers. This is the basis of Steven's claim that the

prices of different commodities, therefore, settle at levels which give capital in the different industries the same average rate of profit on the total amounts of money they[sic] invest.⁵⁴

Having noted this explanation for the formation of price, we

⁵³ *ibid.*, p.48.

⁵⁴ *ibid.*, pp.48-9. Bad grammar in the original.

will now move on to the more important issue regarding the transformation of values into price. Steven tries to show how the transformation of values into prices causes "surplus value" created in the clothing industry, in this instance, to be transferred to the automobile industry. His argument is stated in the algebraic formulation given as:⁵⁵

	C	+	V	+	S	=	Y	PP	D
AUTO	90	+	10	+	10	=	110	120	+10
CLOTHING	70	+	30	+	30	=	130	120	-10

C: value of constant capital (means of production)

V: value of variable capital (wages)

S: surplus value produced

Y: total value of commodity

PP: production price⁵⁶

D: difference between total value and production price

By citing this example, Steven shows that, if profits were determined by the amount of surplus value produced, then the

⁵⁵ The "transformation problem" is invariably found in this algebraic format. Of the many examples which can be found throughout Steven's articles this particular example is found in R. Steven, "Equal Pay for Work of Equal Value", p.49.

⁵⁶ "Prices of production" are given as: $C + V +$ the value equivalent to the average profit.

clothing industry would return a 30% profit compared with 10% from the automobile industry.⁵⁷ The transformation of "values" into "prices of production", however, causes the actual rate of profit received by capitalists in both industries to be equalized at 20%. This equalization represents a transfer of surplus value from the clothing to the automobile industry.

Above all else, this transformation shows how the amount of "surplus value" which is distributed to individual capitalists does not correspond to the amount of "surplus value" produced by their workforce. This forms the basis of Steven's claim that

the price mechanism distributes surplus value, and so ensures the profitability of an industry, not according to how much surplus value workers in it create, but according to the total surplus value produced by the entire working class and the amount of money capitalists invest in the industry.⁵⁸

The way in which prices depart from values to transfer "surplus value" from one industry to another forms the basis of Steven's theory of unequal exchange between countries. A critical evaluation of this theory of unequal exchange will, therefore, serve as a useful prologue to Steven's discussion of international trade and New Zealand's exploitation of Britain.

The first objection to Steven's theory of unequal exchange stems from contradictions which are inherent in his

⁵⁷ If the rate of profit is given as $S / (C+V)$ then, the rate of profit for Auto = $10 / 90+10$ or 10% and the rate of profit for Clothing = $30 / 70+30$ or 30%

⁵⁸ R. Steven, "Equal Pay for Work of Equal Value", p.52.

definition of value. Steven makes statements about the 'determination' and 'creation' of value as if both terms were interchangeable in a Marxist discussion of value. Consequently, statements such as, "the value of each commodity" is equivalent to the "socially necessary time required to produce it",⁵⁹ are followed by statements regarding the "surplus value created by workers".⁶⁰ This conflation of 'creation' and 'determination' amounts to an evasion of the controversy surrounding the Marxist debate over the labour theory of value. What is required is an untangling of the notions regarding the creation and determination of value and an analysis of the causal link between them. While the term 'create' refers to the actual creation of the value embodied in a commodity, the term 'determine' refers to the magnitude of that commodity's value. Marxists normally refer to the determination and creation of value as two separate propositions which are represented by the statements:

(1) value is determined by socially necessary labour time

(2) value is created by labour.

The following paragraph will show that if the value of a commodity is determined by the socially necessary labour required to produce it, then labour cannot create value.⁶¹

⁵⁹ *ibid.*, p.48.

⁶⁰ *ibid.*, p.49.

⁶¹ The following argument is found in G.A. Cohen, "The Labour Theory of Value and the Concept of Exploitation", I. Steedman, The Value Controversy, Verso Editions, 1981.

Quite simply, if statement (1) is true, statement (2) must be false.

If labour creates value, then the labour expended to produce a commodity will determine its value. This truth will hold regardless of the particular moment at which that commodity was produced or the efficiency of the labour used to produce it. If value is determined by socially necessary labour time, however, then the amount of labour actually expended to produce a commodity is strictly irrelevant to its value. The value of a commodity will be determined by the socially necessary labour required to reproduce it at the exact moment we wish to determine its value. The incompatibility of statements (1) and (2) was apparent to Marx when he wrote:

The value of every commodity ... is determined not by the necessary labour-time contained in it, but by the social labour-time required for its reproduction.⁶²

Although Marx was aware of this valuable distinction he proceeded to ignore it just as Steven does. The main point is clear however: if value is determined by socially necessary labour time, then value cannot be created by the labour which was expended to produce that commodity.

A possible response to my criticism that these two statements are contradictory is to advance a mixed formulation which says that (2) is true so long as it corresponds with (1). This mixed formulation would,

⁶² K. Marx, Capital, vol.3., Moscow, 1966, p.141. Reproduced in G.A. Cohen, "The Labour Theory of Value and the Concept of Exploitation", pp.210-11.

therefore, appear along the lines of:

(3) labour creates value, if and only if, the labour required to produce that commodity is socially necessary. Unfortunately, this mixed formulation is still subject to my original criticism that if value is determined by socially necessary labour then the amount of labour expended to produce a commodity is strictly irrelevant to its value.

In the light of this objection we may well question the validity of analyzing the process of exchange by referring to the value of a commodity. Even if Steven were to define value adequately in non-contradictory terms, he would still be unable to determine the actual level of profits without referring to the price of commodities. In short, Steven's notion of value is redundant to any explanation of prices and the actual profits received by capitalists. Steedman's rejection of the Marxist definition of value re-iterates the same point:

Since the profit rate and all prices of production can be determined without reference to any value magnitude, the 'transformation problem' is a pseudo-problem, a chimera⁶³

It would appear that one of Steven's reasons for maintaining this theory of value is that it appears to buttress his conclusion that trade results in unequal exchange.⁶⁴ Steven cannot show that values determine prices, however, and his

⁶³ I. Steedman, Marx After Sraffa, Verso Editions, 1981, pp.14-15.

⁶⁴ Steven has a more basic purpose for maintaining this redundant theory of value. This is done in order to maintain a theory of exploitation of workers by capitalists. This motive was drawn to my attention by G.A. Cohen, "The Labour Theory of Value and the Concept of Exploitation", p.214.

theory of unequal exchange can only be based on a **comparison** of values with prices. Put another way, unequal exchange is predicated on a comparison of what Steven believes ought to be (values) and what actually is (prices).

Having found that Steven's theory of unequal exchange is logically flawed, we will examine its use in his discussion of New Zealand history. We have seen how part of Steven's explanation of New Zealand's development as a "glorious country for a labouring man" is founded on the colony's ability to exploit Britain:

Far from British capitalists exploiting the workers of its colony, a situation closer to the reverse occurred: capitalists in New Zealand received some of the surplus created by British workers, and the colony was enriched at the expense of the imperialist power!"⁶⁵

Reaffirmation his flawed theory of unequal exchange, Steven attempts to show how international trade allowed New Zealand to exploit Britain. Steven claims that a system of unequal exchange characterized the trade which saw New Zealand export agricultural products in exchange for British manufactured goods. As a result, the agricultural commodities New Zealand exported to Britain had a lower value than the manufactured products they were exchanged for. In our earlier discussion of commodity exchange we saw how the factors which determined price caused the price of a commodity to diverge from its value. In the process of exchange, value is transferred, via the price mechanism, from one producer to another. Steven claims that

⁶⁵ R. Steven, "A Glorious Country for a Labouring Man", pp.49-50.

"differential rent" ensures that the price of a commodity departs from its value in a way which ensures that "surplus value" created in Britain is transferred to New Zealand:

...international trade can under certain circumstances redistribute as differential rent to a food producing capitalist system surplus value which is created elsewhere.⁶⁶

Steven's argument that international trade transfers surplus from Britain to New Zealand begins with a discussion of the way in which "differential rent" determines the price of agricultural commodities.

Steven explains that the price of the agricultural commodities New Zealand exported to Britain were determined by the profit received by the farmer working the **least** profitable land. He defends this explanation by arguing that the least profitable farms must receive the "average" rate of profit due to all capitalists, otherwise they would drop out of production altogether:

...if capital could not get the average rate of return on the money invested on this worst land, it would not do so and the land would not be worked.⁶⁷

Those agricultural producers not farming the "worst land" would, therefore, receive profits in excess of the normal "rate of return". It is this difference between the profits obtained on the "best" and "worst" land which constitutes the basis of "differential rent":

This is called differential rent because of the differential costs of producing on the worst land, which regulates the selling price of food, and the

⁶⁶ *ibid.*, p.49.

⁶⁷ *ibid.*

costs on this better land.⁶⁸

The existence of land of "unusual fertility in an unusually temperate climate"⁶⁹ allowed New Zealand farmers to obtain profits in excess of the normal profits returned by other areas of production such as manufacturing.

Consequently,

the labour needed to make agricultural products on superior land is much less than the labour that goes into what you can exchange for these products.⁷⁰

In this way,

their monopolization of vastly superior colonial land enabled them [the settlers] to obtain, as profit, some of the surplus produced by British workers in the form of what is called differential rent.⁷¹

Differential rent, therefore, allowed New Zealand agriculture to receive as profit more value than had been produced in the colony itself. Essentially, New Zealand exported commodities which contained less value (in the form of socially necessary labour) than their price reflected. In this way, New Zealand was able exploit Britain and develop as a "glorious country for a labouring man".

While Steven is correct in drawing attention to the cost competitiveness of New Zealand agriculture, his reasons for doing so are somewhat inadequate. As we have already noted, New Zealand was certainly no more fertile than

⁶⁸ *ibid.*

⁶⁹ *ibid.*, p.45.

⁷⁰ *ibid.*

⁷¹ *ibid.*

Britain.⁷² Although Steven's explanation of differential rent is based on incorrect assumptions about the land's fertility, he would still be able to show that the labour input required to produce agricultural commodities in New Zealand was lower than it was in Britain. My rejection of the theory of value transfer via differential rent will, however, focus on its flawed logic rather than Steven's slightly misleading assumptions regarding fertility.

In Steven's earlier example, the transformation of values into prices caused "surplus value" to be transferred from the clothing to the automobile industry. Likewise, "surplus value" is transferred from Britain to New Zealand in exactly the same fashion. New Zealand's exploitation of Britain was simply the result of the colony's receiving as profit, value which was produced in Britain. "Differential rent" is, therefore, little more than a re-affirmation of Steven's flawed theory of unequal exchange and is therefore subject to the same criticism. Without repeating my earlier objections I will simply note how Steven's theory of "differential rent" is based on a comparison of value and price. By his own admission, price is determined by the rate of profit on the least fertile land and value is determined by the amount of socially necessary labour required to produce a commodity. As Steven cannot plausibly show how values are transformed into prices, his explanation of New Zealand's exploitation of Britain is based on nothing more

⁷² For a discussion of the comparative fertility of New Zealand and England see section (2.2) above.

than a comparison of what is (price) with what Steven believes ought to be (value).

Even if my rejection of differential rent was incorrect, further examination will reveal another crucial error. If we accept Steven's claim that "superior colonial land" enabled the New Zealand farmer to reap differential rent, what are the barriers facing British capitalists in moving from manufacturing and marginal agriculture in Britain into agricultural production in New Zealand? Eventually, the flow of capital in search of maximum profit would ensure that the differential in profitability which exists between Britain and New Zealand will reach an equilibrium as prices fall to their values. Steven explicitly rejects such an equilibrium being reached. He argues that

land ownership confers a power to charge a price for the use of land in excess of the value (the labour under average social conditions) that has gone into the land.⁷³

The basis of Steven's claim that land ownership confers monopoly powers is founded on the existence of land as a finite resource, that is, extra land cannot be produced by human labour. Steven erroneously concludes that this limit on agricultural production prevents production from expanding in order to bring prices down. In his own words:

the ownership of something that cannot be made by any human effort, such as land (or anything in the land), but which is needed in the production of a commodity, for example food, restricts the competitive pressures on the price of that

⁷³ R. Steven, "A Glorious Country for a Labouring Man", p.48.

commodity. It prevents other capitalists from entering the industry, producing more of the commodity, and thus bidding down its price.⁷⁴

The obvious implication of this theory of monopoly is that New Zealand agricultural producers were able to charge a price in excess of the value of commodities they exported to Britain. From the mid- nineteenth century onwards New Zealand was able to exploit Britain by obtaining as profit value which had been produced there. As a student of New Zealand history, Steven should realize that this concept of monopoly does not apply to the period when New Zealand began to export wool and later, refrigerated meat and dairy products to Britain. At this time new land in countries like Australia, New Zealand and Argentina, was being opened up and brought into agricultural production.

An equally obvious rebuttal to Steven's notion of monopoly would note that the application of technology in the post war period seems to indicate that a finite amount of land did not put a ceiling on agricultural output. If we take the example of the United States, agricultural output per hectare had risen by an unprecedented 49% between 1950 and 1970.⁷⁵ Even more impressive improvements are to be found in British and French productivity per hectare, improving by

⁷⁴ *ibid.*

⁷⁵ Output per hectare was .655 wheat units in 1950 and .981 wheat units in 1970. See: J.W. Kendrick and N. Vaccara, New Developments in Productivity Measurement and Analysis, pp.572-3.

62% and 141% respectively.⁷⁶ This notion of monopoly would, therefore, require substantial modification if Steven is to propose any coherent theory which shows how surplus is transferred from Britain to New Zealand via differential rent. As a final criticism of Steven's claim that New Zealand exploited Britain, I will show that his theory of differential rent, when defended by this notion of monopoly, is undermined by his inability to show that labour creates value.

If land ownership confers monopoly powers on the owner, then Steven is forced to conclude that:

...products of something like land can thus be sold at prices above their value, the work that has gone into them under average conditions. Food can thus be exchanged for commodities of greater value than itself.⁷⁷

The ownership of land therefore is one of the mechanisms which determines price. The crucial point is that the ownership of "vastly superior colonial land"⁷⁸ ensured that differential rent distributed surplus value created in Britain to New Zealand:

The redistribution of surplus value via differential rent to the landowners is also a redistribution of surplus value created by British workers to the settlers in Aotearoa.⁷⁹

⁷⁶ British output per hectare was 1.61 wheat units in 1950 and 2.61 in 1970. French agricultural output per hectare was 1.53 wheat units in 1950 and 3.70 in 1970. See: *ibid.*, pp.570-73.

⁷⁷ R. Steven, "A Glorious Country for a Labouring Man", p.48.

⁷⁸ *ibid.*, p.45.

⁷⁹ *ibid.*, p.49.

The implication of Steven's argument need to be spelled out. Although the ownership of the means of production gives the capitalist access to value, labour and labour alone creates value. In Steven's own words, "the truth of the matter is that workers create but capitalists get hold of wealth".⁸⁰ As we have already seen, however, Steven's definition of value as socially necessary labour time specifically precludes labour from creating value. Consequently, Steven's claim that differential rent enabled New Zealand to exploit Britain is undermined by the inability of his theory of unequal exchange to show that labour creates value.

In conclusion, Steven's adherence to the principles of Marxian economics and particularly, his adoption of the problematic labour theory of value has led to crucial errors in his explanation of New Zealand history. Although we have raised several objections two central errors stand out. Firstly, land was not the linchpin of "settler capitalism". Land did not enable New Zealand to act as an outlet for surplus population, nor did it form the basis of New Zealand's ability to exploit Britain. Finally, the high standard of living which made New Zealand a "glorious country for a labouring man" was not the result of a system of unequal exchange which transferred surplus value created in Britain to the colony.

⁸⁰ *ibid.*, p.47.

Chapter Four: ARMSTRONG AND DEPENDENT DEVELOPMENT IN NEW ZEALAND.

(4.1) Dominion Capitalism.

Like others influenced by the neo-Marxism of Wallerstein, Armstrong argues that New Zealand, and nations like her, lie between the "central" and "peripheral" poles of the "world capitalist system".¹ This "intermediate group" which Armstrong labels "dominion capitalist" is made up of Canada, Australia, New Zealand, Argentina and Uruguay and exhibits characteristics of "developed" and "underdeveloped" nations.² As a "dominion capitalist" state, New Zealand therefore enjoyed a level of affluence which was normally associated with advanced capitalism while also displaying all the hallmarks of dependent development. Armstrong alludes to this seemingly paradoxical nature of "dominion capitalism" when he notes that

Despite its high living standards and apparently developed economy, Canada, like New Zealand and Australia, manifests many of the symptoms of dependent, uneven development.³

It is noteworthy that Donald Denoon, while analyzing a similar group of states which he labels "settler

¹ W. Armstrong, "Land, Class, Colonialism: The Origins of Dominion Capitalism", W.E. Willmott, New Zealand and the World; Essays in Honour of Wolfgang Rosenberg, University of Canterbury, 1980, p.28.

² *ibid.*

³ W. Armstrong, "New Zealand: Imperialism, Class and Uneven Development", Australian and New Zealand Journal of Sociology, vol.13-14., 1977-78., p.298.

capitalist", draws attention to the

apparent paradox, whereby societies which were highly dependent were remarkably dynamic, and did accomplish such a measure of development that - albeit briefly- they seemed about to replicate the achievements of the United States.⁴

Although Denoon and Armstrong stress some different points of comparison, both "settler capitalism" and "dominion capitalism" share an identical core of states made up of Australia, New Zealand, Argentina and Uruguay. To this core, Armstrong adds Canada and Denoon adds South Africa and Chile. Despite these additions, both authors stress the unusual combination of affluence and dependence which characterize these 'regions of recent settlement'. While Armstrong observes that the "real levels of remuneration approximate or exceed those of western Europe"⁵ Denoon writes of the "tremendous wealth and rapid demographic growth" generated by "settler capitalism"⁶. Both authors maintain that despite the remarkable wealth of settler societies, these nations did not develop diversified and industrialized economies in the way that the United States did. Denoon claims the course of "dependent development" "did not lead in general to diversification of production"⁷ while Armstrong

⁴ D. Denoon, Settler Capitalism: The Dynamics of Dependent Development in the Southern Hemisphere, Oxford University Press, 1983, p.14.

⁵ W. Armstrong and P. Ehrensaft, "Dominion Capitalism: A First Statement", Australian and New Zealand Journal of Sociology, vol. 13-14., 1977-78., p.352.

⁶ D. Denoon, Settler Capitalism: The Dynamics of Dependent Development in the Southern Hemisphere, p.228.

⁷ *ibid.*, p.223.

laments the "history of under-lying dependence and of blocked, lop-sided development"⁸ which resulted in industrial production being "based primarily upon the first processing stages of primary production or upon import substitution".⁹ Considering the similarities shared by "dominion capitalism" and "settler capitalism", it would be instructive to ask why Armstrong should include Canada while excluding South Africa and Chile. The answer to this question, although dealt with later,¹⁰ will enable us to determine the validity of Armstrong's claim that the group of nations which he labels "dominion capitalist" forms a "distinctive category within the world economy".¹¹

Armstrong argues that "dominion capitalist" states occupied a subordinate position within the "world economy". This subordination originated with the incorporation of these states into the colonial empire of Great Britain. Within this structure of British imperialism, countries like New Zealand were "incorporated into the world division of labour as producers of staple commodities for export to the imperial centre".¹² Armstrong claims that New Zealand's role

⁸ W. Armstrong, "New Zealand: Imperialism, Class and Uneven Development", p.299.

⁹ W. Armstrong and P. Ehrensaft, "Dominion Capitalism: A First Statement", p.352.

¹⁰ Refer to section (4.2).

¹¹ W. Armstrong and P. Ehrensaft, "Dominion Capitalism: A First Statement", p.352.

¹² W. Armstrong, "Land, Class, Colonialism: The Origins of Dominion Capitalism", p.40.

as an "imperial farm"¹³ suited the "requirements" of the "British economy going through the second industrial revolution."¹⁴ In a re-affirmation of the neo-Marxist argument, Armstrong notes how this role coincided with the needs of British capitalism, which he claims was on the lookout for cheap raw materials, an outlet for surplus population and a source of new investment opportunities:

Britain needed overseas markets for its manufactured goods and for its surplus capital. Equally it required outlets for a "surplus" and potentially explosive population which industrial capitalism could not absorb at home. And finally, it needed access to sources of raw materials for its factories, and cheap food for its urban workers to keep production costs low.¹⁵

Even if Britain did require these things, we have already seen how the existence of a causal relationship between these "needs" of British capitalism and the annexation, colonization and subsequent development of New Zealand is highly questionable. Indeed Armstrong admits that an explanation of the annexation of New Zealand made in these terms is subject to an objection based on New Zealand's inability to meet these needs in any significant way. With respect to New Zealand's role as an "imperial farm", he concludes that the "lack of immediately observable resources in the new colony for some decades [after annexation] made

¹³ W. Armstrong, "New Zealand: Imperialism, Class and Uneven Development", p.301.

¹⁴ *ibid.*, p.299.

¹⁵ W. Armstrong, "Industrialization and Class Structure in Australia, Canada and Argentina: 1870 to 1980", E.L. Wheelwright and K. Buckley, Essays in the Political Economy of Australian Capitalism, vol.5., Australian and New Zealand books, 1983, p.49.

it a dubious acquisition for Britain."¹⁶ It was only with the advent of refrigeration three decades later that New Zealand assumed a useful role in the provision of cheap foodstuffs for Britain's industrial workforce.

Mindful of the pitfalls of explaining events such as the annexation by referring solely to the needs of British capitalism, Armstrong makes less grandiose claims with regard to the place of New Zealand history within the context of imperialism. Although, dependence upon British markets, capital, technology and immigration exerted an important influence on the nature and outcome of New Zealand's development, that dependence must not be regarded as the sole determinant of the colony's development. This vital distinction regarding the role of dependence is emphasised by Armstrong:

Dependence upon imperial centres has clearly **conditioned** the scope, rate and pattern of New Zealand's development throughout its evolution from colony to neo-colony.¹⁷

While this position marks a considerable improvement on the rigidly deterministic analysis of Bedggood, Armstrong still maintains that "dependence" is an important factor in his explanation of development.

Although Denoon uses the term "settler capitalist" to refer to the unique experience of those settler societies he investigates he is not an economic determinist in the same

¹⁶ W. Armstrong, "Land, Class, Colonialism: The Origins of Dominion Capitalism", p.38.

¹⁷ W. Armstrong, "New Zealand: Imperialism, Class and Uneven Development", p.297.

mould as Wallerstein, Bedggood, Steven and Armstrong. Denoon specifically rejects the approach of world-systems analysis, with its emphasis on "international relations of dominance and dependence". He deems this approach as an inadequate explanation of the development of settler societies like New Zealand.¹⁸ Instead, Denoon regards the national histories of the settler societies he investigates as a crucial rebuttal to world systems analysis. Referring to the dependency school which marked the crude beginnings of world-systems analysis, Denoon is derisory of the use of dependency as an explanation of a country's development:

If dependency theory has identified important questions, its narrow concern with international relations [of "dominance and dependence"] prevents it from answering those questions.¹⁹

Although Denoon wishes to explain the existence of dependency in those societies he investigates, he does not attempt to use dependency as an explanation of their development. His evocation of a "settler capitalist" group of states does not therefore make the same claims as similar terms used by neo-Marxists influenced by Wallerstein. Having noted this fundamental difference separating Denoon and Armstrong it is important to place Armstrong within the context of other neo-Marxist approaches to New Zealand history.

As we have already seen, Wallerstein and Bedggood describe the world economy as a "zero-sum game" where the

¹⁸ D. Denoon, Settler Capitalism: The Dynamics of Dependent Development in the Southern Hemisphere, p.11.

¹⁹ *ibid.*, p.221.

rich get richer as a result of the poor becoming poorer. Although Steven's approach is more sophisticated he still attempts to explain New Zealand's development by referring to the supposed transfer of surplus brought about by the unequal exchange of international trade. In a significant departure from these neo-Marxist portrayals of the world economy, Armstrong's concept of "dominion capitalism" makes no reference to the transfer of surplus via unequal exchange. This revision of the normal neo-Marxist approach hopes to show how

the role played by each society in the international capitalist system is treated as an expression of the relationship between the domestic ruling class and external forces.²⁰

The affluence and dependence which characterizes a "dominion capitalist" state such as New Zealand is, therefore, explained by referring to the policies implemented by a ruling group acting in concert with the imperatives of imperialism. By referring to the twin forces of class structure and imperialism, Armstrong hopes to explain important shifts in the pattern of New Zealand's development. This pattern of development was marked by a

transition from a society containing the germs of an independent, autocentric industrial capitalist development to one of monocultural, extraverted specialization in the production of primary raw material for the 'mother country'.²¹

This shift from an independent and diversified economy

²⁰ W. Armstrong, "Industrialization and Class Structure in Australia, Canada and Argentina", p.44.

²¹ W. Armstrong, "New Zealand: Imperialism, Class and Uneven Development", p.300.

towards specialization and dependence is explained by the cosy relationship between a colonial ruling class acting in collusion with "external capital". This ensured that New Zealand's development proceeded along lines which were advantageous to the purported needs of British capitalism.

Armstrong states his case systematically:

...the combination of British imperial dominance and a collaborative mercantile-financial-landed ruling group in New Zealand...guaranteed the colony's full insertion into the world-system of the 19th and 20th centuries as a specialist staple producer and exporter, in return for the import of British capital, labour and manufactures. In such a scheme there was little place for an emergent industrial capitalism, nor for an autocentric pattern of development. Instead, the colony and later the neo-colony readily assumed its role in the international division of labour as an imperial farm.²²

Few historians, Dennon among them, would disagree with the view that a "ruling group committed to the imperial link and to the production of export staples"²³ played a vital role in determining the pattern of economic development which emerged in New Zealand. However, I will show how the imperatives of imperialism coupled with the actions of the colonial ruling class is not an adequate explanation of the course and nature of New Zealand's economic development.²⁴ In a study of New Zealand's economic development, James Watson argues that changing technology associated with the second industrial revolution was fundamental to this shift towards

²² *ibid.*, p.301.

²³ D. Denoon, Settler Capitalism: The Dynamics of Dependent Development in the Southern Hemisphere, p.228.

²⁴ For a more complete discussion refer to section 4.3 below.

a more specialized and dependent economy.²⁵

On a more general level, Armstrong attempts to explain the apparent paradox which the combination of affluence and dependence presents to world-systems analysis by invoking a "dominion capitalist" pattern of development. By adopting the metaphors of world-systems analysis, the very nature of "dominion capitalism" is misconstrued and therefore makes several claims which I will show to be mistaken. Firstly, Armstrong claims that the characteristics which identify "dominion capitalist" nations make this "intermediate group" a "distinctive category within the world economy"²⁶. The following discussion²⁷ will show that "dominion capitalist" states share more in common with other nations than they do with each other. As a result of its artificial nature, the "dominion capitalist" model of development cannot tell us anything useful about the development of nations like New Zealand. Secondly, Armstrong claims that the shift of the New Zealand economy from diversity to specialization was the result of the actions of a "comprador class"²⁸ acting to enforce New Zealand's role as an "imperial farm"²⁹ within the world economy. The final section of this discussion will

²⁵ J. Watson, "'Plus Ca Change...': Changing Technology and New Zealand's Dependence", Historical News, University of Canterbury, No.51., 1985.

²⁶ W. Armstrong and P. Ehrensaft, "Dominion Capitalism: A First Statement", p.352.

²⁷ Refer to section 4.2.

²⁸ W. Armstrong, "New Zealand: Imperialism, Class and Uneven Development", p.300.

²⁹ *ibid.*, p.301.

show that in trying to account for this "transition"³⁰ Armstrong has misunderstood the significance of "dependent and lop-sided development".³¹ It will become apparent that New Zealand's much vaunted dependence is little more than a symptom of declining self-sufficiency brought about by the shift in technology associated with the second industrial revolution.

(4.2) The Validity of Dominion Capitalism.

In this section, we will examine the characteristics of "dominion capitalism" in order to test Armstrong's claim that this group of nations forms a "distinctive category within the world economy."³² The purpose of this examination is twofold. Firstly, we will explore whether "dominion capitalist" countries have an exclusive monopoly on the set of characteristics which constitute ones membership of this "hybrid group".³³ It will become apparent that Armstrong's omission of Chile from this group is an oversight. More importantly, serious doubts regarding the inclusion of Canada, Australia and New Zealand with these three Latin American states will become apparent. Finally, we will find

³⁰ *ibid.*, p.300.

³¹ W. Armstrong, "New Zealand: Imperialism, Class and Uneven Development", p.299.

³² W. Armstrong and P. Ehrensaft, "Dominion Capitalism: A First Statement", p.352.

³³ W. Armstrong, "Land, Class, Colonialism: The Origins of Dominion Capitalism", p.28.

whether "dominion capitalism" functions as explanatory tool which enables social scientists to analyze the development of these states.

Membership of the "dominion capitalist" group of states is based on a number of criteria of which the most salient are:³⁴

1. Dominion capitalist states are temperate or semi-temperate regions which received large numbers of European immigrants so that their current populations are largely of European descent.
2. Dominion capitalist states share a demographic profile "comparable to those of modern western Europe".³⁵ We would therefore expect Uruguay, for instance, to have levels of urbanization, birth rates and life expectancy similar to those of Britain.
3. Production is organized along capitalist lines and until relatively recently wage levels "approximated or exceeded those of Western Europe at least until World War II."³⁶ In recognition of the comparative downward movements of wage levels in New Zealand³⁷ Armstrong inserts the

³⁴ A list of nine features which constitute "dominion capitalism" is found in W. Armstrong and P. Ehrensaft, "Dominion Capitalism: A First Statement", p.352.

³⁵ *ibid.*

³⁶ *ibid.*

³⁷ In 1953, New Zealand's per-capita income placed her third behind the United States and Canada in the hierarchy of OECD members. During the last three decades this position has steadily declined from eighth in 1965 to 22nd in 1978. See: J.D. Gould, The Rake's Progress? The New Zealand Economy Since 1945, Hodder and Stoughton, 1982, p.22.

qualification that any parity with Western Europe is now only of historical significance.

4. Exports consist mainly of primary products which are produced using levels of technology and ratios of capital to labour which are "typical of advanced industrial capitalism."³⁸

5. "The proportion of gross domestic product (GDP) generated by the primary, secondary and tertiary sectors also approximate those of modern Europe."³⁹

6. Dominion capitalist states are politically and economically dominated by the hegemonic imperialist power of the day. Trade and Investment are the tools of this domination. These instruments trade and investment, are now wielded by the U.S. rather than Britain but dominion capitalist states are still locked into dependency.

It was not the arrival of white settlers themselves but what they brought with them, namely capitalism, that was to have such a profound impact on the development of countries like New Zealand. This is the main point lurking beneath Armstrong's rather generalized description of "dominion capitalism". Armstrong wishes to emphasize how the capitalism which was transplanted to the official British colonies of Canada, Australia and New Zealand and the "unofficial"⁴⁰ colonies of Argentina and Uruguay was not

³⁸ *ibid.*

³⁹ *ibid.*

⁴⁰ T. Brooking, "Why Did Farmer Protest Assume Such Different Forms in Late Nineteenth Century New Zealand and the U.S.A.", J. Phillips, New Worlds? The Comparative

identical to that operating in Britain. "Dominion capitalism", as it was to become, was a product of British imperialism with the development of those states proceeding along lines that were appropriate to the needs of the imperium.

New Zealand's development as a specialist producer of agricultural commodities is an excellent example of how "dominion capitalism" neatly conformed to the colonial pattern of trade which saw Britain produce manufactured goods in exchange for agricultural products. It is the principal aim of this discussion to ascertain if these shared features of "dominion capitalist" states constitute an adequate explanation of their development.

The first test of the validity of these criteria will examine the degree to which the primary, secondary and tertiary sectors of an economy contribute to the GDP of "dominion capitalist" states. Consequently, we would expect to find the contribution of the manufacturing sectors of this supposedly "distinctive category" fall within the range established by countries like Britain and France. With manufacturing expressed as a percentage of gross domestic product we would obtain the following results:⁴¹

History of New Zealand and the United States, Stout Research Centre, 1989, p.126.

⁴¹ UNCTD Handbook of International Trade and Development Statistics, 1976, pp.360-63.

Manufacturing as a percentage of GDP.

Canada	26%
Australia	29%
New Zealand	27%
South Africa	24%
Argentina	37%
Chile	28%
Uruguay	22%

Despite the glaring exception of West Germany⁴² the manufacturing sectors of "dominion capitalist" countries produce similar proportions of GDP as modern European states. More importantly, these results show that Chile and South Africa should be included in Armstrong's "dominion capitalist" group of states. Indeed the only exceptional figure posted by this group was Argentina, a state which Armstrong includes. This surprising result would seem to indicate that Argentina's manufacturing sector is significantly more productive than Canada's. This questionable conclusion would require a closer inspection of the validity of this basis of comparison.

Argentina's exceptionally good showing may simply be the result of a particularly inefficient agricultural sector which endows the manufacturing sector with an inflated degree of prominence within the economy. Conversely, an unusually efficient agricultural sector may appear to diminish the importance of other sectors of the economy. An

⁴² Manufacturing accounted for 43% of West Germany's GDP. UNCTD Handbook of International Trade and Development Statistics, 1976, pp.360-63.

examination of Argentinian agriculture reveals that inefficiency is indeed the source of this apparent anomaly. In 1970, an Argentinean agricultural worker only managed to produce 26% of the output generated by his New Zealand counterpart.⁴³ It would appear that the amount of GDP produced by certain sectors of the economy may be a slightly misleading measurement of the degree to which a country is utilizing modern productive facilities and methods. More importantly, Armstrong's use of this criteria as the basis of membership in the "dominion capitalist" group of states, begs the whole question of labour productivity which is the basis of the fourth criteria. The misleading results yielded by the ambiguities inherent in measurements of the contribution of manufacturing to GDP indicates the some modifications will have to be made to this fifth criteria which Armstrong uses to identify the member states of "dominion capitalism".

A more accurate indication of manufacturing's contribution would examine the percentage of the total workforce engaged in manufacturing.⁴⁴ If we look at the 1970

⁴³ Argentina's per capita output was 51 wheat units compared with New Zealand's 198.2. See J.W. Kendrick and B.N. Vaccara, New Developments in Productivity Measurement and Analysis, p.530.

⁴⁴ "the most relevant single indicator of the degree to which a large or medium-sized economy is constructing modern productive forces is the proportion of the active population employed in modern manufacturing compared to that employed in backward agriculture." B. Warren, "Imperialism and Capitalist Industrialization", New Left Review, No.81., 1973, p.10.

figures the following patterns emerge:⁴⁵

Percentage of workforce engaged in manufacturing.

Canada	22.9%
Australia	26.9%
New Zealand	26.6%
South Africa	11.3%
Argentina	25.1%
Chile	23.2%
Uruguay	21.0%

On this basis alone we may well agree with Armstrong's exclusion of South Africa from his group of "dominion capitalist" states. His exclusion of Chile, however, would once again appear to be an oversight.

With Armstrong's exclusion of South Africa vindicated we may now examine the affluence of "dominion capitalist" states in order to further test their eligibility for membership of this "distinctive category". If we compare the per capita income of "dominion capitalist" nations with developed capitalist nations the following figures emerge.⁴⁶

⁴⁵ *ibid.*, pp.8-9.

⁴⁶ *ibid.*

Settlers Societies.		Developed Capitalist.	
Canada	\$3260	U.S.	\$4664
Australia	\$2660	Sweden	\$3490
New Zealand	\$1918	Switzerland	\$2965
South Africa	\$717	Belgium	\$2372
Argentina	\$828	Netherlands	\$2196
Chile	\$644	Britain	\$1976
Uruguay	\$682	Italy	\$1548

In terms of its affluence, Canada more correctly belongs to the group of the world's wealthiest countries such as the U.S., Sweden and Switzerland. Indeed there may even be a case for removing Australia and New Zealand from the group of "dominion capitalist" nations as their levels of affluence places them firmly alongside a group of countries such as Belgium, Britain and the Netherlands.

It is also important to note that South Africa's comparatively modest wealth belies the fact that its minority white population enjoys a standard of living more in keeping with Australian and New Zealand levels on account of a more unequal distribution of South African wealth.⁴⁷ Once again two important points emerge. Firstly, the group of nations which Armstrong claims form a "distinctive category" in fact have more in common with other nations than their fellow "dominion capitalist" compatriots.

⁴⁷ If we were to rank the world's nations according to the inequality of their income distribution then South Africa would occupy the 19th slot while New Zealand, Canada and Australia would occupy 57th, 58th and 60th respectively. C.L. Taylor, and D.A. Jadice, World Handbook of Political and Social Indicators, 3rd edition, vol.1., Yale University Press, 1983, pp.134-5.

Secondly and more importantly, the criteria which Armstrong chooses to define this allegedly "distinctive category" are ambiguous and misleading.

The comparison of "dominion capitalism" with similar states has produced a conclusion which contains a number of interrelated points. Firstly, Armstrong has no valid basis for excluding Chile from "dominion capitalism" while including Argentina and Uruguay. Secondly, the disparity in the levels of affluence between the Latin American countries and the members of the old white commonwealth indicates that "dominion capitalist" nations do not constitute an "intermediate category" situated between the core and periphery of the world economy. It would appear that the conclusions of Shamir Amin, which Armstrong rejects, are borne out and that Canada, Australia and New Zealand are more correctly portrayed as "young central economies".⁴⁸ These two conclusions yield the third. Armstrong's concept of "dominion capitalism" is based on nothing more than a set of common but by no means exclusive characteristics. This shows that "dominion capitalist" nations do not form the kind of "distinctive category" which Armstrong maintains they do.

Armstrong has found that a group of states with similar histories exhibit common characteristics which appear to warrant some kind of comparative analysis, the result of which could bring useful generalizations about their

⁴⁸ S. Amin, Unequal Development, Monthly Review Press, 1976, Reproduced in W. Armstrong, "Land, Class, Colonialism: The Origins of Dominion Capitalism", pp. 30-31.

development. The error apparent in this kind of comparative analysis arises from the argument that affluence and dependence combined, constitutes "dominion capitalism" only when found in those countries. Whatever the basis of membership, it is now clear that "dominion capitalist" states form little more than an artificial category which cannot provide the historian with any useful insights into the development of those countries.

Armstrong concludes in later articles that in the contemporary era, there is no such thing as a "dominion capitalist" group of states:

...in the post WW.II. decades...it was no longer possible to speak of them as dominion capitalist societies. Both the internal and external historical conditions had by then changed so that the differences outweighed the similarities. The dominion capitalist societies were the product of a specific era in the history of capitalism.⁴⁹

While Armstrong is correct to emphasize the "differences" rather than the "similarities" of "dominion capitalist" states, his conclusion has shied away from the main point. "Dominion capitalism" never had any causal validity, "historical" or otherwise. The divergent paths of development followed by this group of states underlies the point that a concept of "dominion capitalism" is entirely superficial and cannot by itself explain the development of these states. In order to emphasize this point we will test the explanatory validity of the concept of "dominion capitalism". This will be done by examining whether

⁴⁹ W. Armstrong and J. Bradbury, "Industrialization and Class Structure in Australia, Canada and Argentina: 1870 to 1980", p.52.

"dependence on imperial centres" has "conditioned the scope, rate and pattern of New Zealand's development".⁵⁰

In his discussion of the impact of imperialism on New Zealand, Armstrong reiterates the now familiar argument of those neo-Marxists influenced by Wallerstein. Consequently, Armstrong claims that the annexation and colonization of New Zealand was partly caused by the imperatives of British imperialism. This familiar catechism equates these imperatives with Britain's alleged need for new markets, new sources of raw materials, new investment opportunities and an outlet for her surplus population.⁵¹

Although Armstrong makes little attempt to justify this claim he does acknowledge its weaknesses. In a tacit rejection of Bedggood's simplistic explanation, Armstrong notes that had New Zealand been annexed as a source of raw materials "the lack of immediately observable resources in the new colony" would have made it a "dubious acquisition for Britain".⁵² It was only with the advent of refrigeration, three decades after annexation, that New Zealand was able to function as an imperial larder. Armstrong correctly argues that because Colonial Office officials could not know that gold or refrigeration would transform New Zealand's economy, the need for "cheap raw materials" could not have been one

⁵⁰ W. Armstrong, "New Zealand: Imperialism, Class and Uneven Development", p.297.

⁵¹ W. Armstrong, "Industrialization and Class Structure in Australia, Canada and Argentina", p.49.

⁵² W. Armstrong, "Land, Class, Colonialism: the Origins of Dominion Capitalism", p.38.

of the factors which convinced them to proceed with annexation.

Having avoided the pitfalls of Bedggood's rigidly functionalist explanation, Armstrong falls into the same trap as Steven by assuming that the systematic colonization theories of Wakefield eventually persuaded the colonial office to annex New Zealand in 1840:

The colonial reformers - whose interests also spilled over from settlement into land speculation - were able to persuade the imperial government that annexation would help provide an answer to the social problem at home without severely reducing the reserve army of labour in Britain."⁵³

Thus persuaded, the "imperial government" annexed New Zealand in order to provide Britain with an outlet for her surplus population. The only defense Armstrong offers in support of his explanation of annexation is that it "suited the imperial interests of Britain looking...for open frontiers in which to invest surplus capital and labour."⁵⁴ The co-incidence between Britain's need to rid herself of surplus population and New Zealand's potential to absorb it does not prove that New Zealand was annexed in order to fulfil that role. As a general rule, correlations do not constitute causes.

This confusion of correlations with causes stands at the heart of Armstrong's error in his account of the development of "dominion capitalist" states. "Dominion capitalism" is defined by the correlations which exist

⁵³ *ibid.*, p.38.

⁵⁴ *ibid.*, p.40.

between the countries which constitute this "hybrid group". Any attempt to account for the causes of New Zealand's development by employing to these correlations is, therefore, based on a faulty notion of those factors which constitute a cause. Even if my criticism were misplaced, Armstrong would still have to show why the role played by all "dominion capitalist" nations as an imperial larder resulted in such divergent patterns of development. Despite the common characteristics shared by all "dominion capitalist" nations, some 'independent variable' must explain why Canada differs in so many respects from Argentina. For Armstrong, this independent variable is the role played by domestic ruling groups within the context of imperialism. New Zealand's shift towards the specialist production of foodstuffs for the British market is, therefore, explained by referring to the policies enforced by the ruling class acting in collusion with the wishes of external capital. The nexus formed by the needs of British capitalism and a comprador ruling class, therefore, determines the way (albeit varied) in which dominion capitalist countries develop.

(4.3) The Britain of the South Pacific?

Throughout his political career, Julius Vogel advocated the creation of a united Pacific empire with New Zealand as its central governing authority:

The ultimate object which I have in view...is the establishment of the Polynesian Islands as one Dominion, with New Zealand the centre of government: the Dominion, like Canada, to be a British dependency.⁵⁵

Although his imperialistic aims were never realized, Vogel's ambitious plans for New Zealand's economic development were enthusiastically adopted during his tenure as Colonial Treasurer and later as Premier. As the architect of deficit funded development, Vogel embarked on a public works programme to provide New Zealand with a transport infrastructure. This network was intended to propel New Zealand along the road to full economic development. The irony of this kind of colonial "think big" is not lost on Armstrong who notes how New Zealand never became,

as colonial premier Julius Vogel had envisaged, a 'Britain of the South Pacific', a full fledged industrial capitalist economy."⁵⁶

Vogel's attempts to construct "industrial capitalism" in New Zealand were ultimately abortive, and the colony's prosperity became increasingly dependent upon the production of a narrow range of agricultural commodities. By the early twentieth century, the overwhelming dominance of

⁵⁵ A. Ross, New Zealand Aspirations in the Pacific in the Nineteenth Century, Clarendon Press, 1964, p.117.

⁵⁶ W. Armstrong, "New Zealand: Imperialism, Class and Uneven Development", p.299.

agricultural production had become the central feature of the New Zealand economy.

Armstrong claims that this shift towards an increasing dependence on agriculture was brought about at the behest of a ruling elite whose interests were clearly aligned to the agricultural sector. This emphasis on agricultural production saw the implementation of policies which resulted in the decimation of New Zealand's manufacturing sector:

...this cluster of interests organized around staples exports enforced policies at the end of the nineteenth century which effectively dismantled the local, diversified manufacturing sector which had arisen between the 1860's and 1880's."⁵⁷

The "cluster" which led New Zealand down the path towards "dependent" and "lop-sided development"⁵⁸ comprised the "economic leaders and political directors of colonial society".⁵⁹ In one of his more polemical statements Armstrong claims that by acting to satiate the needs of British capitalism, New Zealand's ruling class ensured that all subsequent development became dependant upon the production of a narrow range of agricultural commodities:

New Zealand has not been able to throw off the legacy of dependence inherited from a structure where a comprador bourgeoisie, and landed class, and a subaltern state have collaborated in colonial and neo-colonial settings.⁶⁰

⁵⁷ W. Armstrong and P. Ehrensaft, "Dominion Capitalism: A First Statement", p.360.

⁵⁸ W. Armstrong, "New Zealand: Imperialism, Class and Uneven Development", p.299.

⁵⁹ *ibid.*, p.297.

⁶⁰ W. Armstrong, "Land, Class, Colonialism: The Origins of Dominion Capitalism", p.40.

For Armstrong then, the essential nature of New Zealand's economic development is encapsulated in this shift away from a relatively diversified economy to one increasingly orientated to the specialist production of agricultural commodities. Although Armstrong claims that New Zealand was a "society containing the germs of an independent, autocentric industrial capitalist development",⁶¹ he offers little empirical evidence in support of the counterfactual assertion that New Zealand was on the road to industrialization.

In order to test Armstrong's explanation of the nature and causes of New Zealand's economic development it will, therefore be necessary to examine in greater detail than that provided by Armstrong, the "crucial transition"⁶² where the New Zealand economy apparently eschewed diversity in favour of specialization.

In its simplest sense, the extent to which an economy is diversified is determined by the variety of productive activities engaged within it. In a largely agricultural economy like New Zealand's any evidence of diversity would be found in the presence of vibrant industrial and manufacturing sectors. In short, production which was not agricultural. If we were to describe the New Zealand economy in terms of a movement towards specialization, on the other hand, we would expect to find a lack of diversity. Here

⁶¹ W. Armstrong, "New Zealand: Imperialism, Class and Uneven Development", p.300.

⁶² *ibid.*

Armstrong would point to the increasing importance of agriculture and the subordination of industry to the processing of agricultural commodities. As the following discussion will show, there is considerable evidence to support Armstrong's characterization of New Zealand's economic development as a shift away from diversity to specialization.

Prior to this "transition", Armstrong argues that the New Zealand economy was relatively diversified. Perhaps the best evidence for this claim is found in the expansion of the non-agricultural workforce. Between 1871 and 1881, the industrial labour force grew from 10,000 to 15,500, an increase of 64% in a decade.⁶³ The rapid construction of New Zealand's railway network is a tangible example of the presence of a vibrant industrial sector. Once again, the decade of the 1870's showed the greatest achievements in this area with the bulk of the national railway network being laid between 1873 and 1880.⁶⁴ Moreover, railway workshops became New Zealand's largest industrial enterprises with the first locally built locomotive being completed in 1877.⁶⁵ This heady decade also witnessed the development of a vibrant manufacturing sector which was beginning to show signs of maturity by the 1880's. New

⁶³ W.J. Gardner, "A Colonial Economy", p.73.

⁶⁴ During this period 1,143 of the 1,288 miles of open track had been laid. See W.J. Gardner, "A Colonial Economy", p.72.

⁶⁵ W.B. Sutch, Poverty and Progress in New Zealand: A Re-Assessment, A.H. And A.W. Reed, 1969, pp.88-89.

Zealand manufacturing had become sufficiently advanced that its products were able to compete successfully on the international market. Farm machinery such as disk harrows and ploughs were being exported to South Africa while gold dredges were sent to markets as diverse as Australia, Brazil and China. New Zealand manufacturers were also successful in the highly competitive textile market with woollen cloth being exported to Australia and India, as well as the heartlands of textile manufacturing in England and Scotland.⁶⁶

Despite the impressive achievements of the late nineteenth century, New Zealand's economic development became increasingly dependent on the agricultural sector. The following table shows how this tendency gathered momentum into the twentieth century with wool, meat, dairy and grain comprising 68% of the value of exports in 1890 and a staggering 95% by 1925.⁶⁷

⁶⁶ *ibid.*, pp.99-100.

⁶⁷ M.F. Lloyd-Prichard, An Economic History of New Zealand to 1939, Collins, 1970, pp.291 and 409.

**Agricultural commodities expressed as a percentage
of the total value of New Zealand's exports.**

1880	67%
1885	64%
1890	68%
1895	66%
1900	72%
1905	63%
1910	67%
1915	85%
1920	93%
1925	95%

From the late nineteenth century onwards, manufacturing not associated with agriculture tended to stagnate. If we were to rank manufacturing industries in terms of their ability to generate revenue then the four largest in 1911 were those involved in the processing of agricultural commodities.⁶⁸

Value of production by industry.

Meat preserving and freezing	£7.3
Butter and cheese	£3.9
Saw mills	£2.7
Tanning and fellmongering	£2.0
Tailoring and dressmaking	£1.5

Although clothing manufacturers employed the largest national workforce, 8353 in all, their annual revenue of £1.5 were dwarfed by the £7.3 generated by the meat processing industries.⁶⁹

⁶⁸ M.F. Lloyd-Prichard, An Economic History of New Zealand to 1939, p.413.

⁶⁹ *ibid.*

New Zealand trade has always depended on a narrow range of export markets. Between 1880 and 1925, Britain, Australia and the United States accounted for 95% to 98% of New Zealand's export markets. The following table shows how New Zealand was heavily dependent on a narrow range of import and export markets.⁷⁰

New Zealand's trade profile.

1) Destination of exports.

	Britain	Australia	U.S.A	Total
1880	75%	21%	2%	97%
1885	72%	20%	6%	98%
1890	75%	15%	6%	96%
1895	83%	12%	2%	97%
1900	77%	14%	4%	95%
1905	77%	15%	5%	97%
1910	84%	9%	3%	96%
1915	74%	5%	16%	95%
1920	80%	5%	9%	94%

2) Source of imports.

	Britain	Australia	U.S.A.	Total
1880	56%	31%	4%	91%
1885	70%	18%	5%	93%
1890	67%	17%	5%	89%
1895	63%	20%	6%	89%
1900	61%	17%	10%	88%
1905	61%	14%	11%	86%
1910	62%	14%	8%	84%

Within the context of this dependence, however, New Zealand

⁷⁰ M.F. Lloyd Prichard, An Economic History of New Zealand to 1939, pp.172, 209, 297.

became even more dependent. While Australia had dominated New Zealand trade (both import and export) in the middle of the nineteenth century, Britain loomed even larger by the early twentieth century. In 1857, Australia was the source of 52% of New Zealand's imports and the outlet for 62% of New Zealand's exports.⁷¹ By 1910 these figures had dropped to 14% and 9% respectively. The importance of the Australian connection had been replaced and eclipsed by Britain which provided New Zealand with 62% of its imports while taking a massive 84% of its exports.⁷²

In accounting for the cause of New Zealand's shift away from diversity towards specialization, Armstrong stresses the role of imperialism and the alignment of political and economic power in the colony itself. Given the possibilities opened up by refrigeration, the colonial ruling class found it profitable to ensure that economic development proceeded along lines which would enable New Zealand to function as an "imperial farm".⁷³

Armstrong's explanation for New Zealand's economic development is curiously incomplete. While Armstrong concentrates on some aspects concerning the context of production, he completely ignores others which I will show were crucial. Although he stresses the way in which the

⁷¹ C.G.F. Simkin, The Instability of a Dependent Economy: Economic Fluctuations in New Zealand 1840-1914, Oxford University Press, 1951, p.194.

⁷² M.F. Lloyd-Prichard, An Economic History of New Zealand to 1939, p.209.

⁷³ W. Armstrong, "New Zealand: Imperialism, Class and Uneven Development", p.301.

"needs of the British economy going through the second industrial revolution"⁷⁴ were mediated through New Zealand's compliant ruling class, he fails to take full account of the effects of the second industrial revolution.

It will be my argument that changing requirements of production associated with the second industrial revolution form an indispensable part of an explanation of the changing patterns of economic development in New Zealand. His rather incomplete account of the **context** of production has caused Armstrong to largely ignore the **requirements** of production in New Zealand during the first and second industrial revolution. Armstrong's explanation takes no account, therefore, of the profound impact on production in New Zealand associated with the shift from coal and oats to oil and electricity. If we construct an explanation based on the requirements rather than the context of production, we will attain a very different account of the nature and causes of New Zealand's economic development.

In the process of describing the apparent diversity of the New Zealand economy, James Watson shows that production carried out in the colony itself supplied New Zealand with most of its needs. In an important distinction regarding the nature of New Zealand's economic diversification he concludes:

Certainly the country was solidly linked into the international economy via its need to market its primary produce, but that production was not

⁷⁴ *ibid.*, p.300.

itself heavily dependent on imports.⁷⁵

New Zealand's remarkable degree of self-sufficiency fulfilled its consumptive and productive requirements. Needless to say, New Zealand produced most of its own food. The most significant imported food item was sugar which constituted anything from 4% to 9% of the colony's total import bill between 1882 and 1895.⁷⁶ An examination of New Zealand's major imports in 1870 shows that in terms of value, sugar was second only to drapery!⁷⁷ With the importation of sugar cane imported from Fiji, however, significant quantities of the refined product were being exported by New Zealand by 1900.⁷⁸ Despite its importation of cotton, New Zealand produced most of its own clothing. The construction of woollen mills, of which there were nine by 1896,⁷⁹ ensured that the value of domestic production exceeded that of imported woollen goods by the turn of the century.⁸⁰

⁷⁵ J. Watson, "'Plus Ça Change...' Changing Technology and New Zealand's Dependence", Historical News, No.51., University of Canterbury, 1985, p.4.

⁷⁶ M.F. Lloyd-Prichard, An Economic History of New Zealand to 1939, p.411.

⁷⁷ While imported drapery cost £636,936 sugar was the second most valuable import at a cost of £259,262. Agricultural implements and machinery combined only cost the colony £63,959. See M.F. Lloyd-Prichard, An Economic History of New Zealand, p.115.

⁷⁸ J. Watson, "'Plus Ça Change...' Changing Technology and New Zealand's Dependence", p.2.

⁷⁹ W.B. Sutch, Poverty and Progress in New Zealand: A Re-Assessment, p.99.

⁸⁰ J. Watson, "'Plus Ça Change...' Changing Technology and New Zealand's Dependence", p.2.

The degree of self-sufficiency found in the consumer goods sector was also characteristic of other areas of production with a large proportion of the inputs being produced in New Zealand. The overwhelming majority of building materials used by the building industry were produced in New Zealand. Timber, the most commonly used building material, was all locally milled. The manufacture of cement began during the 1880's⁸¹ while New Zealand brickworks produced a record 73 million bricks in 1925.⁸²

Agricultural production became increasingly reliant on agricultural implements, the majority of which were manufactured in New Zealand. Local production outstripped the importation of farm equipment in the late nineteenth century with New Zealand made ploughs, disk harrows and chaff cutters being exported.⁸³ New Zealand was able to participate in the heavy industry of the first industrial revolution with the colony manufacturing all its steam locomotives by the end of the nineteenth century.⁸⁴

Boilermaking was not confined to railway workshops however. The freezing works and dairy factories which sprung up after the introduction of refrigerated shipping all installed locally manufactured boilers. Furthermore, the coal used to fuel these factories and locomotives was

⁸¹ M.F. Lloyd-Prichard, An Economic History of New Zealand to 1939, p.149.

⁸² *ibid.*, p.332.

⁸³ W.B. Sutch, Poverty and Progress in New Zealand: A Re-Assessment, pp.99-100.

⁸⁴ *ibid.*, p.100.

locally mined while the motive power which drove agriculture was provided by locally bred horses consuming locally grown fuel, in the form of oats and barley.

The main point here is that the requirements of production associated with technology based on coal and oats allowed New Zealand to be largely self-sufficient. The most important feature of the economy's diversity, therefore, was not diversity itself but that production was based on inputs which were locally produced. Any diversity which the New Zealand economy displayed was simply a reflection of that self-sufficiency. Once production became more reliant on imported inputs, as it did with the onset of the second industrial revolution, the New Zealand economy would become more specialized.

Agricultural production was transformed by the introduction of tractors and lorries. Unlike the traction engine and the draught horse team they replaced, these farm implements were not manufactured locally and the petrol they consumed had to be imported. New Zealand's declining self-sufficiency was further exacerbated with coal fired boilers being replaced with electricity in much of New Zealand's manufacturing sector. Although hydro-electric power stations did not run on imported fuels, the turbine generators they required were not produced by the local engineering industry and had to be imported. With domestic production declining in self-sufficiency, the New Zealand economy became less diversified as more and more of the inputs required by agriculture and industry were produced overseas. The

enormous increases in productivity which the second industrial revolution brought about, per capita production in New Zealand rose from £41.77 to £49.3 between 1901 and 1906,⁸⁵ were bought at the "expense of decreased national self-sufficiency."⁸⁶

Once again, the importance of this move towards increased specialization was not specialization itself, but the way in which New Zealand's economic development became more dependant on trade. With production becoming more dependent on imports, continued economic development required a similar increase in exports. Had New Zealand been a big country with a large domestic market, the changes in production wrought by the use of oil and electricity would not have resulted in an increasing dependence on trade. As it was, New Zealand exported over 30% of its gross domestic product in 1950 while exports only amounted to 8% of the GDP of the United States.⁸⁷ This reliance and comparative non-reliance on trade is an indication of the degree of self-sufficiency of the two economies.

While the large domestic market of the United States provided an ideal environment for the mass production techniques of Henry Ford, New Zealand's size conspired

⁸⁵ C.G.F. Simkin, The Instability of a Dependent Economy: Economic Fluctuation in New Zealand 1840-1914, p.188.

⁸⁶ J. Watson, "'Plus Ça Change....' Changing Technology and New Zealand's Dependence", p.4.

⁸⁷ S. Chatterjee, "International Trade: Structure and Policy", S. Birks and S. Chatterjee, The New Zealand Economy: Issues and Policies, Dunmore Press, 1988, p.191.

against the development of a similar automobile industry. New Zealand was well placed to meet the requirements of the first industrial revolution but not the second. The requirements of production based on oil and electricity forced New Zealand to become dependent on trade in a way that the United States did not. In the words of a leading economist:

...small countries like New Zealand cannot afford to be self-sufficient if they wish to achieve and maintain a high standard of living.⁸⁸

Contrary to Armstrong's claim, the patterns of New Zealand's economic development were not determined by the needs of British capitalism, mediated through the policies enforced by a compliant ruling class. New Zealand's shift towards specialization was the result of declining self-sufficiency brought about by the changing requirements of production based on oil and electricity.

⁸⁸ *ibid.*, p.190.

Conclusion.

This survey of neo-Marxist interpretations of New Zealand history was undertaken as part of a wider interest in the interplay between theory and history. I have argued that these approaches are theoretically and empirically deficient and do not allow us to make sense of New Zealand history. Quite simply, the theories have gaps and contradictions and do not fit the facts.

The neo-Marxist approaches we have examined are modifications of Wallerstein's world-systems theory. All accept that New Zealand's development was determined by its role within the world economy. Furthermore, all allot New Zealand a role somewhere between the industrialized countries and the third world. Wallerstein's "semi-periphery" is Bedggood's "semi-colony" and this is in turn related to Steven's "settler capitalism" and Armstrong's "dominion capitalism". All struggle to explain New Zealand's prosperity as an agricultural producer in a world system which they claim is dominated by the industrialized countries. The following discussion will show how serious deficiencies arise from interpretations of New Zealand history which are based on arguments derived from these neo-Marxist perspectives.

Bedggood, Steven and Armstrong agree that New Zealand was annexed in order to provide Britain with an outlet for surplus population. We have seen that this argument has two serious deficiencies. First, Britain did not need to annex

countries in order to rid herself of surplus population. The most numerically significant destination for British immigrants was the United States, a country which was no longer a British colony. Annexation, therefore, was not necessary as an encouragement for immigration. The second point is that there is no evidence that the Colonial Office annexed New Zealand with a desire to ease population pressure. This lack of evidence forces neo-Marxists to claim that this motive was covered up. Such a reply fails because a justification for annexation on the grounds that it would secure an outlet for surplus population would have been popular. Wakefield's theories of systematic colonization enjoyed widespread approval and government policies motivated by a Wakefieldian desire to send Britons to new lands would not have required a disguise.

Bedggood and Steven argue that New Zealand's prosperity was explained by her exploitative role within an international system of unequal exchange. They claim that international trade was characterized by unequal exchange which allowed New Zealand to transfer to itself surplus generated in Britain. This exploitation is said to be the consequence of the way prices diverged from values, a phenomenon which allowed commodities of different values to exchange at the same price. Such a theory of unequal exchange is predicated on the contradictory assumptions surrounding Marx's labour theory of value. Contrary to the neo-Marxist claim, that theory, cannot support the claim that commodity exchange results in the exploitation of one

trading partner by another. Bedggood and Steven, therefore, fail to show that New Zealand exploited Britain by receiving more value in exchange for less.

When confronted with specific objections to their notion of unequal exchange Bedggood and Steven respond by advancing an equally fallacious notion of monopoly. They conclude that the monopoly of agricultural producers over a limited resource -the land- enabled New Zealand to protect the cost advantages of its agricultural production. I have shown, however, that their claims of monopoly are ill-founded. Existing agricultural producers were not able to eliminate competition from newcomers by denying them land, for new land was continually being opened up, especially in the "white settler colonies". Furthermore, the technological improvements applied to agricultural production, which allowed for greater production from the same area of land, offset any monopolistic tendencies by boosting production and forcing down prices.

The argument that New Zealand's development as a specialist producer of agricultural commodities was caused by the colony's role within the international division of labour is also subject to several objections. Armstrong claims that New Zealand's function as an "imperial farm" was bought about by a colonial ruling class whose representatives perused policies which provided British capitalism with cheap foodstuffs. Bedggood and Steven simply explain New Zealand's role as a "highly efficient agricultural producer" by referring to the superior

fertility of colonial land. Although profoundly different in their emphasis, these neo-Marxist explanations misunderstand the nature of agricultural production in New Zealand.

While New Zealand agriculture is highly efficient, this has not been due to exceptional fertility. Such efficiency was largely the result of a vastly more favourable ratio of land to labour. Lack of population pressure also forms the basis of efficient agricultural production in other 'regions of recent settlement' such as Australia and Argentina.

More important, New Zealand's increasing dependence on a narrow range of export staples was the result of technology associated with production based on oil and electricity. This dependence was little more than a symptom of production in New Zealand becoming increasingly reliant on imported inputs. The neo-Marxist perspective adopted by Armstrong has resulted in his misunderstanding the nature and significance of New Zealand's dependence. Overall, New Zealand's economic development was not the result of a conspiracy between the local ruling class and the forces of international capitalism.

The inability of the neo-Marxist accounts of Bedggood, Steven and Armstrong to account for the development of New Zealand points to difficulties inherent in Wallerstein's explanation of the development of the semi-periphery within the capitalist world economy. The development of members of the "old white commonwealth" is an aspect of Wallerstein's analysis which exposes most vividly the problematic nature of the world-systems approach.

Bibliography.

- Adams, P., (1977), Fatal Necessity: British Intervention in New Zealand 1830-1847, Auckland University Press.
- Anderson, K., (1986), "Economic Growth, Comparative Advantage and the Aricultural Trade of Pacific Basin Countries", Schuh, G.E., and McCoy, J.L., Food, Agriculture and Development Pacific Basin: Prospects for International Collaboration in a Dynamic Economy, Westview Press, 1986.
- Armstrong, W., (1977), "New Zealand: Imperialism, Class and Uneven Development", Australian and New Zealand Journal of Sociology, vols.13-14., 1977-78.
- , (1980), "Land, Class, Colonialism: The Origins of Dominion Capitalism", Willmott, W.E., New Zealand and the World; Essays in Honour of Wolfgang Rosenburg, University of Canterbury, 1980.
- , (1985), "The Social Origins of Industrial Growth: Canada, Argentina and Australia, 1870-1930", Platt, D.C.M., and Guida di Tella, Argentina, Australia and Canada: Studies in Comparative Development, MacMillan Press, 1985.
- Armstrong, W., and Bradbury, J., (1983), "Industrialization and Class Structure in Australia, Canada and Argentina; 1870-1980", Wheelwright, E.L., and Buckley, K., Essays in the Political Economy of Australian Capitalism, vol.5., Australian and New Zealand Books, 1983.
- Armstrong, W., and Ehrensaft, P., (1977), "Dominion Capitalism: A First Statement", Australian and New Zealand Journal of Sociology, vols.13-14., 1977-78.
- Arnold, R., (1981), The Farthest Promised Land, Victoria University Press.
- Bairoch, P., (1974), "Geographical Structure and Trade Balance of European Foreign Trade", Journal of European Economic History, 1974.
- , (1986), "Historical roots of Economic Underdevelopment: Myths and Realities", Mommsen W., and Osterhammel, J., Imperialism and After: Continuities and

- Discontinuities, Allen and Unwin. 1986.
- Barratt Brown, M., (1963), After Imperialism, Heinmann, London.
- , (1974), The Economics of Imperialism, Penguin books, London.
- Bedggood, D., (1977), "Class Consciousness in New Zealand", Pitt, D., Social Class in New Zealand, Longman and Paul, 1977.
- , (1977), New Zealand's Semi-Colonial Development: A Marxist View", Australian and New Zealand Journal of Sociology, vols.13-14., 1977-78.
- , (1980), Rich and Poor in New Zealand: A Critique of Class, Politics and Ideology, George Allen and Unwin.
- Bedggood, D., and Macrae, J., (1977), "The Development of Capitalism in New Zealand: Towards a Marxist Analysis", Red Papers, Marxist Publishing Group, Auckland, 1977.
- Birks, S., and Chatterjee, S., (1988), The New Zealand Economy; Issues and Policies, Dunmore Press.
- Biswas, K., (1979), "Climate, Agriculture and Economic Development", Biswas and Biswas, Food, Climate and Man, New York, 1979.
- Blaug, M., (1980), A Methodological Appraisal of Marxian Economics, North-Holland.
- Bottomore, T., (1983), A Dictionary of Marxist Thought, Blackwell Reference, London.
- Brenner, R., (1977), "The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism", New Left Review, July-Aug, 1977.
- , (1988), "The Social Basis of Economic Development", Roemer, J., Analytical Marxism, Cambridge University Press, 1988.
- Brewer, A., (1980), Marxist Theories of Development; A Critical Survey, Routledge Paul and Kegan, 1980.
- , (1984), A Guide to Marx's Capital, Cambridge University Press.
- Brooking, T., (1987), "Economic Transformation", Oxford History of New Zealand, Oxford University Press, 1987.
- , (1989), "Superficial Similarities: Why did Farmer

- Protest Assume Such Different Forms in Late Nineteenth Century New Zealand and the U.S.A.", Philips, J., New Worlds? The Comparative History of New Zealand and the United States, Stout Research Centre, 1989.
- Clark, C.M.H., Select Documents in Australian History 1788-1850.
- Clark, D., (1978), "Unequal Exchange and Australian Economic Development: An Exploratory Investigation", Wheelwright, E.L., and Bucklery, K., Essays in the Political Economy of Australian Capitalism, vol.3., Australian and New Zealand Books, 1978.
- Cohen, G.A., (1978), Karl Marx's Theory of History; A Defence, Clarendon Press, London,
- , (1981), "The Labour Theory of Value and the Concept of Exploitation", Steedman, I., et al, The Value Controversy, Verso Editions, 1981.
- Connolly, C., (1988), "Marx's Technological Determinism: A Philosophical and Historical Assessment", unpublished paper.
- Crowley, F.K., (1954), "The British Contribution to the Australian Population 1860-1919", University Studies in History and Economics, vol.2., no.2., July 1954.
- Cutler, E.J.B., (1985), "Soil and History, Rich Soils - First World: Poor Soils - Third World", Historical News, No.51., 1985, University of Canterbury.
- Denoon, D., "Understanding Settler Societies", Historical Studies, vol.18., 1978-79, University of Melbourne.
- , (1983), Settler Capitalism: The Dynamics of Dependent Development in the Southern Hemisphere, Oxford University Press.
- Dobb, M., (1978), "A Reply", Hilton, R., The Transition From Feudalism to Capitalism, Verso Editions, London, 1978.
- Easton, B.H., and Thomson, N.J., (1982), An Introduction to the New Zealand Economy, University of Queensland Press.
- Elster, J., (1986), An Introduction to Karl Marx, Cambridge University Press.
- Emmanuel, A., (1972), Unequal Exchange: A Study of the Imperialism of Trade, New Left Books.

- , (1972), "White Settler Colonialism and the Myth of Investment Imperialism", New Left Review, May-June, 1972.
- , (1974), "Myths of Development Versus Myths of Underdevelopment", New Left Review, no.85., 1974.
- Fairburn, M., (1989), The Ideal Society and its Enemies: The Foundations of Modern New Zealand Society, Auckland University Press.
- Fischer, D.H., (1971), Historians' Fallacies, Routledge and Kegan Paul.
- Fogarty, J.P., (1980) "The Comparative Method and Regions of Recent Settlement", Historical Studies, vol.19., Universtiy of Melbourne.
- Forbes, D.K., (1984), The Geography of Underdevelopment; A Critical Survey, Croom Helm, London.
- Fuchs, C.J., (1905), The Trade Policy of Great Britain and Her Colonies Since 1860, London.
- Gardner, W.J., (1987), "A Colonial Economy", Oxford History of New Zealand, Oxford University Press, 1987.
- Graham, J., (1987), "Settler Society", Oxford History of New Zealand, Oxford University Press, 1987.
- Gould, J.D., (1982), The Rake's Progress? The New Zealand Economy Since 1945, Hodder and Stoughton.
- Hawke, G.R., (1980), Economics for Historians, Cambridge University Press.
- , (1985), The Making of New Zealand, Cambridge University Press.
- Hunt, E.H., (1981), British Labour History, London.
- Kendrick, J.W., and Vaccara, B.N., (1980), New Developments in Productivity Measurement and Analysis, University of Chicago Press.
- Kuczynski, J., (1972), A Short History of Labour Conditions Under Industrial Capitalism in Great Britain and the Empire 1750-1944, London.
- Lall, S., (1975), "Is Dependence a Useful Concept in Analysing Underdevelopment", World Development, vol.3., 1975.
- Lloyd Prichard, M., (1970), An Economic History of New Zealand to 1939, Collins, Auckland.

- Lougheed, A., (1987), "International Transaction and Foreign Commerce", Wray Vamplew, Australians: Historical Statistics, Fairfax Syme Weldon Associates, 1987.
- Macrae, J., (1977), "Income Distribution and Poverty in New Zealand", Pitt, D., Social Class in New Zealand, Longman and Paul, 1977.
- Mann, M., (1988), "European Economic Development: Approaching a Historical Explanation", Baechler, J., et al, Europe and the Rise of Capitalism, Oxford, 1988.
- Marx, K., and Engels, F., Manifesto of the Communist Party, Karl Marx and Frederick Engels Collected Works, vol.6., Lawrence and Wishart, London, 1976.
- Marais, J.S., (1927), The Colonization of New Zealand, Oxford University Press.
- Michaely, M, (1984), Trade, Income Levels and Dependence, North Holland.
- Morgan, E.S., (1971), "The Labour Problem at Jamestown 1607-18", American Historical Review, vol.76., 1971.
- O'Brien, P., (1982), "European Economic Development: The Contribution of the Periphery", Economic History Review, 2nd series, vol.35., 1982.
- Oliver, W.H., (1966), The Story of New Zealand, Faber and Faber, London.
- , (1979) "Social History in the Liberal Period", New Zealand Journal of History, vol.13. 1979.
- Olssen, E., (1974), "Class in New Zealand", New Zealand Journal of History, vol.8., 1974.
- , (1975), "The Working Class in New Zealand", New Zealand Journal of History, vol.9., 1975.
- , (1977), "Social Class in Nineteenth Century New Zealand", Pitt, D., Social Class in New Zealand, Longman and Paul, 1977.
- , (1987), "Towards a New Society", Oxford History of New Zealand, Oxford University Press, 1987.
- , (1989), "New Zealand and United States Labour Movements: The View From the Shop Floor", Philips, J., New World? The Comparative History of New Zealand and the United States, Stout Research Centre, 1989.

- Palma, G., (1978), "Dependency: A Formal theory of Underdevelopment or a Methodology for the Analysis of Concrete Situations of Underdevelopment", World Development, vol.6., 1978.
- Peet, R., (1980), An Introduction to Marxist Theories of Underdevelopment, Australian National University.
- Pitt, D., (1977), "Are There Social Classes in New Zealand?", Social Class in New Zealand, Longman and Paul, 1977.
- Rayner, T., (1988), "New Zealand in the World Trading Economy", Institute of Policy Studies, New Zealand in a Changing World: The Management of Economic Change, Victoria University Press, 1988.
- Richardson, L., (1987), "Parties and Political Change", Oxford History of New Zealand, Oxford University Press, 1987.
- Rigby, S.H., (1987), Marxism and History; A Critical Introduction, Manchester University Press.
- Robertson, R.T., (1986), The Making of the Modern World, Zed Books, London.
- Ross, A., (1964), New Zealand Aspirations in the Pacific in the Nineteenth Century, Clarendon Press.
- Ruccio, D.F., and Simon, L.H., (1986), "A Methodological Analysis of Dependency Theory: Explanation in Andre Gunder Frank", World Development, vol.14., 1986.
- Simkin, C.G.F., (1951), The Instability of a Dependent Economy; Economic Fluctuations in New Zealand 1840-1914, Oxford University Press.
- Sinclair, K., (1980), A History of New Zealand, Penguin.
- Sckopol, T., (1977), "Wallerstein's World Capitalist System: A Theoretical and Historical Critique", American Journal of Sociology, 1977.
- Smout, T.C., (1980), "Scotland and England: Is 'Dependency a Symptom of a Cause of Underdevelopment", Review, vol.3., No.4., 1980.
- Steedman, I., (1977), Marx After Sraffa, Verso Editions, London.
- , (1981), "Ricardo, Marx, Sraffa", Steedman, I., et al,

- The Value Controversy, Verso Editions, 1981.
- , (1985), "Robots and Capitalism: A Clarification", New Left Review, vol.151., 1985.
- Steven, R., (1977), "Toward a Class Analysis of New Zealand", Australian and New Zealand Journal of Sociology, vol.13-14., 1977-78.
- , (1978), "Towards a Marxian Theory of "Terms of Trade" in New Zealand", Red Papers, Marxist Publishing Group, Auckland, 1978-79.
- , (1985), "A Glorious Country For a Labouring Man", Race Gender Class, vol.1., No.1., 1985.
- , (1986), "Equal Pay For Work of Equal Value", Race Gender Class, No.4., 1986.
- , (1989), "Land and White Settler Colonialism: The Case of Aotearoa", Novitz, D., and Willmott, B., Culture and Identity in New Zealand, Government Print Books, 1989.
- Stubbs, J., (1987), "Non-Capitalist Production in the Third World: The Implications for Geographic Research on Uneven Development and Socio-Economic Transformations", Unpublished Thesis, Department of Geography, University of Canterbury, 1987.
- Sutch, W.B., (1969), Poverty and Progress in New Zealand: A Re-Assessment, A.H. and A.W. Reed.
- Sweezy, P., (1978), "A Critique", Hilton, R., The Transition from Feudalism to Capitalism, Verso editions, London, 1978.
- Taylor, C.L., and Jadice, D.A., (1983), World Handbook of Political and Social Indicators, 3rd edition, vol.1., Yale University Press.
- Taylor, P.J., (1986), "The World-Systems Project", Johnston, A.J., and Taylor, P.J., A World in Crisis, New York, 1986.
- Todd, E., (1987), The Causes of Progress: Culture, Authority and Change, Basil Blackwell, Oxford.
- Toynbee, C., (1979), "Class and Social Structure in Nineteenth Century New Zealand", New Zealand Journal of History, vol.13., 1979.

- Wallerstein, I., (1974), The Modern World System; The Origins of Capitalist Agriculture and the Origins of the European World Economy in the Sixteenth Century, vol.1., Academic Press, New York
- , (1976), "A World-System Perspective on the Social Sciences", British Journal of Sociology, vol.27., No.3., 1976.
- , (1976), "From Feudalism to Capitalism: Transition or Transitions?", Social Forces, Dec 1976.
- , (1976), "Semi-Peripheral Countries and the Contemporary World Crisis", Theory and History, vol.3., 1976.
- , (1978), "World-Systems Analysis: Theoretical and Interpretive Issues", Kaplan, B.H., Social Change in the Capitalist World Economy, Sage Publications, Beverly Hills, 1978.
- , (1979), "Dependence in an Interdependent World: The Limited Possibilities of Transformation Within the Capitalist World Economy", Wallerstein, I., The Capitalist World Economy, Cambridge University Press, 1979.
- , (1979), "The Rise and Future Demise of the World Capitalist System: Concepts for Comparative Analysis", Wallerstein. I., The Capitalist World Economy, Cambridge University Press, 1979.
- , (1979), "Underdevelopment and Phase B: Effect of Seventeenth Century Stagnation on Core and Periphery of the European World Economy", Goldfrank, W.L., The World-System of Capitalism, Beverly Hills, 1979.
- , (1979), The Capitalist World Economy, Cambridge University Press.
- , (1980), "One Man's Meat: The Great Scottish Leap Forward", Review, vol.3., No.4., 1980.
- , (1980), "Imperialism and Development", Bergeson, A., Studies of the Modern World System, Academic Press, 1980.
- , (1980), The Modern World System: Merchantilism and the Consolidation of the European World Economy 1600-1750, vol.2., Academic Press, 1980.

- , (1982), "Economic Theories and Historical Disparities of Development", Economic Theory and History, vol.1., 1982.
- , (1983), "An Agenda for World-Systems Analysis", Thompson, W.R., Contending Approaches to World-Systems Analysis, Sage Publications, 1983.
- , (1983), "Capitalism and the World Working Class: Some Premises and Some Issues for Research and Analysis", Wallerstein, I, Labour in the World Social Structure, vol.2., Sage Publications, 1983.
- , (1983), "European Economic Development: A Comment on O'Brien", Economic History Review, vol.36., 1983.
- , (1983), Historical Capitalism, Verso editions.
- Ward, A., (1967), "The Origins of the Anglo-Maori Wars: A Reconsideration", New Zealand Journal of History, vol.1., No.2., 1967.
- , (1973), A Show of Justice, Auckland University Press.
- Warren, B., (1973), "Imperialism and Capitalist Industrialization", New Left Review, No.81., Sept-Oct 1973.
- , (1980), Imperialism: Pioneer of Capitalism, New Left Books.
- Watson, J., (1985), "'Plus ca Change'; Changing Technology and New Zealand's Dependence", Historical News, no.51., University of Canterbury, 1985.
- Wells, A., (1989), Constructing Capitalism: An Economic History of Eastern Australia 1788-1901, Allen and Unwin.
- Wheelwright, E.L., and Buckley, K., (1975), Essays in the Political Economy of Australian Capitalism, vol.1., Australia and New Zealand Books.
- Wynn, G., (1984), "Reflections on the Writing of New Zealand History", New Zealand Journal of History, vol.18., 1984.
- , (1982), "Settler Societies in Geographical Focus", Historical Studies, University of Melbourne, vol.20., 1982-3.